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The GAZA STRIP

The Political Economy of De-development

Expanded Third Edition

Sara Roy

INSTITUTE FOR PALESTINE STUDIES

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The Gaza Strip

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Sara Roy

Institute for Palestine Studies USA, Inc.
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2016

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The third edition of this book is dedicated to the memory of

Dr. Haidar Abdel Shafi
Dr. Hatem Abu Ghazaleh
Alya Shawa
Henry Selz
and
Bob Simon

To the camp people

Our territory is inhabited by a number of races speaking different languages and living on different historic levels. . . . A variety of epochs live side by side in the same areas or a very few miles apart, ignoring or devouring one another. . . . Past epochs never vanish completely, and blood still drips from all their wounds, even the most ancient.

Octavio Paz
Labyrinth of Solitude

The Jewish state cannot exist without a special ideological content. We cannot exist for long like any other state whose main interest is to insure the welfare of its citizens.

Yitzhak Shamir
New York Times
14 July 1992

There is no primitive. There are other men living other lives.

Paul Rabinow
Reflections on Fieldwork in Morocco

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**to the second edition*
***to the third edition*

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Preface

Research for this book began in the summer of 1985, when I first traveled to the Gaza Strip and West Bank to conduct fieldwork for my doctoral dissertation, which dealt with U.S. development assistance to the occupied territories. This venture was supported by a grant from the Foundation for Middle East Peace in Washington, D.C. During that time, Dr. Meron Benvenisti asked me to prepare a report on conditions in the Gaza Strip under the auspices of the West Bank Data Base Project in Jerusalem, which he headed. I returned to the occupied territories for five weeks in 1986 with funding from the Project, and *The Gaza Strip Survey* was published by the Jerusalem Post Press in May 1986. It was my work on that book more than anything else that educated me to the unique and critical problems confronting the Gaza Strip, and the potential costs to both Palestinians and Israelis of allowing these problems to remain unaddressed. For that and for much more, I shall always be grateful to Dr. Benvenisti.

After publication of the report and a much-needed rest, I returned to my dissertation research, which provided me with an extended avenue for pursuing my interests in the Gaza territory. After receiving my doctorate from Harvard University in June 1988, I returned to the Gaza Strip for ten months between 1988 and 1989 as the intifada was entering its second year. My work was funded by a grant from the Diana Tamari Sabbagh Foundation and a Constantine Zurayk Fellowship from the Institute for Palestine Studies. Gaza had changed in some significant ways under the impact of the Palestinian uprising, and any research effort demanded a study of these changes.

Methodologically, my research consisted of several parts. Interviews were an extremely important component of my work and were conducted on a formal and informal basis with Palestinians, Israelis, Jordanians, Americans, and Europeans. By the end of my stay, I had carried out several hundred interviews with Palestinians from a range of political and socioeconomic backgrounds, in Gaza, the West Bank, and Jordan; Israeli government officials, academics, and political activists; Jordanian government officials, especially those directly responsible for the West Bank and Gaza Strip; American government officials and staff of U.S. private voluntary organizations; officials of UN specialized agencies in Gaza and the West Bank; officials and staff of the United Nations Relief and Works Agency (UNRWA); and European Economic Community officials and European diplomats posted in Israel and Egypt.

Another critical part of my research was based on primary source documentation prepared by the Israeli military government, Palestinian institutions, and UNRWA, and by other international and foreign institutions that asked to remain unidentified. In addition, secondary source materials provided needed supplementary data and were obtained from Israeli, Palestinian, and American universities; Israel's Central Bureau of Statistics; the PLO Bureau of Statistics in Damascus, Syria; and other institutions on both sides of the green line engaged in research on the occupied territories. Those I can identify include *Al-Haq*/Law in the Service of Man, the Arab Thought Forum, the Economic Development Group, the Data Base Project for Palestinian Human Rights, the Jerusalem Media and Communications Center, the Gaza Center on Rights and Law, the West Bank Data Base Project, *B'tselem*/the Israeli Information Center for Human Rights in the Occupied Territories, Yad Ben Zvi Library, the Dayan Center for Middle Eastern Studies and the Jaffee Center for Strategic Studies at Tel Aviv University, the Truman Center for International Studies at Hebrew University, the Dewey Library for the Social Sciences at MIT, the Library of the Center for Middle Eastern Studies and the Center for International Affairs at Harvard University, the Widener Library and the Government Documents Section of the Lamont Library (both of Harvard University), the Central Bank of Israel, the Jerusalem Post Archives, USAID, AMIDEAST, and American Near East Refugee Aid (ANERA).

In addition, I traveled extensively throughout the Gaza Strip and spent a considerable amount of time in the refugee camps where the majority of Gaza's inhabitants live. Experiencing the patterns of daily life together with the people of Gaza—living in their homes, shopping with them in local markets, visiting their injured or sick relatives in hospital, attending the funerals of children and fathers, being confined with them during curfew—was, without question, the most valuable and meaningful aspect of my research.

This study was completed in 1994 after three additional trips to the territory in 1990 and 1993. This volume is a record of my fieldwork, analysis, and conclusions.

It is undoubtedly true that development rarely takes root without security; it is also true that security does not exist where human beings do not have access to enough food, or clean water, or the medicine and shelter they need to survive. It does not exist where children can't aspire to a decent education or a job that supports a family. The absence of hope can rot a society from within.

Barack Obama
Remarks by the President at the Acceptance of the Nobel Peace Prize
10 December 2009
Oslo, Norway

Introduction to the Third Edition

De-development Completed: Making Gaza Unviable

In our society it is murder, psychologically, to deprive a man of a job or an income. You are in substance saying to that man that he has no right to exist.

—Martin Luther King Jr.
The Trumpet of Conscience (1968)

The most frightful of all spectacles [is] the strength of civilization without its mercy.

—Lord Thomas Babington Macaulay
"Warren Hastings" (1841)

In a closed conference I attended in Jerusalem in 2010, Professor Nadera Shalhoub-Kevorkian of Hebrew University gave a compelling talk in which she examined the human and spatial impact of the barriers imposed by Israel on the free movement of people in Jerusalem. In one example, which I have never forgotten, she told how some Palestinian children are forced to walk through sewage pipes on their way home from school. This image struck me not only as an act of resistance, which it is, but for another meaning it bears as well—people as refuse, as waste. It is precisely this conceptualization that has defined Israel's policy toward Gaza over the past decade in particular.

Almost fifteen years have passed since I wrote the Postscript to the second edition of this book in 2000. Since that time, a number of momentous developments in the Israeli-Palestinian conflict have occurred, totally transforming Gaza's political and economic reality. For the purposes of this discussion, these developments are grouped into two periods divided by Israel's August 2005 "disengagement" from the Gaza Strip, when Israel withdrew its settlements and troops from the territory while at the same time maintaining total control over its borders. The pre-August 2005 period, characterized by deepening repression and violence, includes, most notably:

- the failure of the Oslo process and collapse of the July 2000 Camp David negotiations;
- the beginning of the second and militarized Palestinian uprising, or intifada, in September 2000, which led to the resumption of suicide bombings targeting Israeli civilians;

- Israel's devastating military response in the West Bank and Gaza Strip, resulting in the wide-scale destruction of economic and social infrastructure in both territories;
- the intensification of Israel's closure policies, the territorial fragmentation of the West Bank, and the marginalization of Gaza; and
- accelerated settlement expansion in the West Bank accompanied by the building of the separation wall.

Israel's 2005 unilateral disengagement from the Gaza Strip, the pivot between the two periods, effectively completed Gaza's severance from the West Bank, deepening and solidifying the isolation of the two territories.

The period after disengagement has been even starker. Political markers of the period include:

- Hamas's January 2006 victory in the Palestinian parliamentary elections and the ensuing internecine violence between Fatah and Hamas, most virulently in Gaza, and the tightening of the closure regime;
- Israel's offensive against Gaza known as Operation Summer Rains (June 28–November 26, 2006) precipitated by the June 2006 capture of Israeli soldier Gilad Shalit by Hamas and by ongoing violence between the Israeli military and Palestinian armed groups following the disengagement;
- Hamas's June 2007 takeover of the Gaza Strip and the establishment of two deeply divided governing authorities;
- Israel's imposition of an intensified closure (more commonly known as the siege or blockade) on Gaza in 2007, ending all normal trade and devastating the private sector (a policy supported by the United States, the European Union (EU), and key Arab states, notably Egypt);
- Israel's December 2008–January 2009 Operation Cast Lead (OCL) invasion of Gaza, the most deadly attack ever launched on the Strip, which further shattered the economy;
- the 2011 "Arab Spring" revolts against corrupt dictatorships, and the rise of the Muslim Brotherhood and other Islamist groups to power;
- the easing of Gaza's diplomatic and economic isolation through Hamas's strengthening political relationships with Egypt, Turkey, and the Gulf states, particularly Qatar and Saudi Arabia;
- Israel's November 2012 eight-day assault on Gaza known as Operation Pillar of Defense (OPD);
- the July 2013 military coup against the Muslim Brotherhood government in Egypt and Egypt's subsequent sealing of the tunnels with Gaza, further eroding the local economy; and
- the declining position of Hamas regionally after the fall of the Egyptian Muslim Brotherhood.*

* Operation Protective Edge, Israel's 51-day assault on Gaza during the summer of 2014, will be addressed in the Afterword.

These developments, among others, have profoundly weakened Gaza and her people, distorting normal economic activity and severely diminishing the productive capacity of the workforce and society. Gaza's trajectory over the last 47 years, as charted in this book, has taken it from a territory economically integrated into, and deeply dependent upon, Israel and strongly tied to the West Bank to an isolated (and disposable) enclave cut off from the West Bank as well as Israel and subject to ongoing military attacks. In the early years of the occupation, though a captive economy restricted to (at best) fluctuating levels of growth, Gaza still had the capacity to produce and innovate (within limitations); increasingly over time, it became what it is today: an economy systematically deprived of that capacity, characterized by unprecedented levels of unemployment and impoverishment, with at least three-quarters of its population requiring humanitarian assistance. The damaging transformations detailed in this introduction are becoming institutionalized and permanent, shaping a future both truncated and disfigured. What is happening to Gaza is catastrophic; it is also deliberate, considered, and purposeful.

As I shall argue, the de-development process as defined in this book is approaching its logical endpoint: a Gaza that is functionally unviable—i.e., dispossessed of its capacity for rational and sustainable economic growth and development, coupled with a growing inability to effect social change.

From De-development to Unviability: A Policy Trajectory

While it is beyond the scope of this introduction to detail the long and painful history of the past decade and the various political and economic policies that have emerged from it, certain points merit attention.

Often lost from view in this past decade crowded with events is the reality of occupation—which now spans nearly three quarters of Israel's entire history—as the primary factor defining (and delimiting) Gaza's tragic situation. The Oslo process enabled Israel to claim that it was mitigating if not ending the occupation. (It is worth noting that the term "occupation" appears nowhere in any of the Oslo agreements, which also fail to acknowledge Israel as an occupying power.) In fact, the Oslo peace process was doing the exact opposite: deepening Israel's control of the territories through a variety of policies—including territorial fragmentation and the large-scale expropriation of Arab land and other resources—intended to ensure Israel's continued presence and preclude the establishment of a Palestinian state. In this way, the historical contest over territory was replaced by a policy of separation, isolation, and containment. In fact, the policy now goes well beyond occupation to include continued colonization and annexation.[1]

The political and economic illusions created by the Oslo process and negotiation framework—supported by a compliant Palestinian Authority (PA) and donor community—led to a range of economic programs and initiatives promoting "economic peace" under occupation. By conflating freedom with free trade, economic peace as conceived by Oslo's architects holds that eco-

nomic change must precede political change, creating a context conducive to future political compromise. In other words, the "economic returns of cooperation will outweigh the benefits of resistance,"[2] or, as Prime Minister Benjamin Netanyahu explained in November 2009, "Economic development does not solve problems, it mitigates them and makes them more accessible for solution, and creates a stronger political base."[3] In effect, this policy sees any form of economic improvement as an alternative to ending the occupation and the dispossession that accompanies it. The persistence of this failed approach can be seen in U.S. Secretary of State John Kerry's 2013 attempt to restart Israeli-Palestinian peace negotiations by "promot[ing] economic development and . . . remov[ing] some of the bottlenecks and barriers that exist with respect to commerce in the West Bank." In this way, economic growth "will help us be able to provide a climate . . . an atmosphere, within which people have greater confidence about moving forward."[4]

Yet, this approach was in fact fundamentally no different from the Israeli policies of the early years of occupation examined in this book. These policies aimed to extinguish Palestinian political demands and aspirations through limited economic gains under an occupation that continued to extract Palestinian resources. As was argued in the second edition of this book, the Oslo process was simply a more sophisticated expression of this deception. This was illustrated in such projects as industrial estates, safe passage, infrastructural change, trade, and institutional development. Some of these did deliver limited change and transient periods of economic growth, but they could not be sustained given that the (structural) context was committed to negating real growth and development through increasingly oppressive Israeli control, restrictions (notably a strengthened closure regime), and assault.

Furthermore, Israel's occupation remained unchallenged and was supported actively by the United States and the EU as well as (however grudgingly) by a weak, compliant, and increasingly corrupt PA. This strategy of supplanting national rights by limited prosperity has been embraced by the PA itself in a somewhat different form—i.e., delivering economic growth in the absence of any political program challenging the occupation. In so doing, the PA has locked itself "into a sub-contracting role for a continuing . . . and cost-effective occupation regime."[5]

The damage wrought by the "peace process" is profound, and perhaps nowhere more striking than in Gaza. Throughout my three decades of research on the Gaza Strip, I have encountered two recurring themes. The first is Israel's desire to rid itself of any responsibility for Gaza while retaining control of it—a clear outcome, if not a goal, of the Oslo process. Continued control is essential since, as the late Tanya Reinhardt argued, Israel cannot free Gaza if it wants to rule the West Bank, its principal objective. This is because a free Gaza would be able to establish direct ties with the Arab (and possibly Western) world, and become a center of resistance to Israeli occupation.[6]

The second theme centers on Israel's desire to "exchange" Gaza, as it were, for full and internationally (i.e., American) sanctioned control of the West Bank. This would prevent the creation of a Palestinian state and secure Israel's continued occupation. This increasingly evident goal, institutionalized during the Oslo period and shared by successive Israeli governments throughout the second intifada, involved an encircled, noncontiguous, and fragmented Palestinian entity under Israeli control on less than half the West Bank, with the remaining majority effectively annexed. A critical feature of the policy was the isolation, encirclement, and weakening of the Gaza Strip, which would similarly remain under Israeli dominance. Basically, the objective was to eliminate Palestinian control over the whole of the West Bank and East Jerusalem and sever most ties between these areas and Gaza. In order to implement this reality, Israel needed to attenuate Palestinian demands—which it attempted to do largely through economic deprivation, especially in the Gaza Strip (via closure, intensified closure, and other restrictions); physical and institutional destruction; and demographic isolation—and to create a malleable leadership willing to accept such an outcome.

The 2005 Disengagement from Gaza: A Defining Event

A critical turning point for the conflict generally and Gaza specifically came in 2005 with then Israeli prime minister Ariel Sharon's so-called disengagement from the Gaza Strip. This involved the redeployment of the Israeli army outside Gaza's borders and the evacuation of all Israeli settlements, even as Israel maintained complete and direct control over Gaza's borders, airspace, water, and maritime access. With this policy—which exposed the true nature of the negotiations as a means of buying time without any intention of reaching the presumed end goal, Israel laid the framework for a new unilateral approach. In a now famous October 2004 *Ha'Aretz* interview on the Gaza disengagement, Sharon's close advisor Dov Weisglass, who handled some of the negotiations, explained:

> I found a device . . . to ensure that there will be no stopwatch here. That there will be no timetable to implement the settlers' nightmare. I have postponed the nightmare indefinitely. Because what I effectively agreed to with the Americans was that part of the settlements would not be dealt with at all, and the rest will not be dealt with until the Palestinians turn into Finns. . . . The significance is the freezing of the political process. And when you freeze that process you prevent the establishment of a Palestinian state and you prevent a discussion about refugees, the borders, and Jerusalem. Effectively, this whole package that is called the Palestinian state, with all that it entails, has been removed from our agenda indefinitely. And all this with authority and permission. All with a presidential blessing and the ratification of both houses of Congress.[7]

In a 2006 meeting with a high level Israeli official who played a key role in designing the Gaza disengagement plan, a colleague of mine was told the following: "The next two years will be crucial for Israel. Our goals are very clear—more settlements in the West Bank and the increased cantonization of the West Bank. We want to see three major cantons in the West Bank and the fourth will be Gaza."[8] In essence, these goals were subsequently achieved.

Israel's 2005 disengagement from the Gaza Strip effectively completed the implementation of Oslo's 1994 Gaza and Jericho First plan, which also aimed to turn Gaza into an imprisoned and diminished canton (in the guise of the envisioned provisional Palestinian state) and isolate it from the West Bank. This in turn freed Israel to pursue, in one form or another, its de facto annexation of the West Bank, which it has largely accomplished in the two decades since the first Oslo accord was signed.[9] Shlomo Ben-Ami, a former Israeli foreign minister, put it this way: "To believe that we ended the occupation in Gaza while still occupying the West Bank is to assume that Gaza is not part of a Palestinian entity."[10] It is precisely this assumption that has long informed Israeli policy toward Gaza, especially after 2005.

The Gaza disengagement plan should thus be understood as part of the continuum that began at least with the Oslo process and arguably with earlier government initiatives. The core goals are the same: to internally divide, separate, and isolate the Palestinians—demographically, economically, and politically—so as to ensure Israel's full control—both direct (West Bank) and indirect (Gaza Strip)—over *all* Palestinian lands and resources. The ultimate goal is to safeguard a Jewish majority in an expanded Israel and to preclude any political process (and any diplomatic pressure to initiate that process) that would result in the establishment of a Palestinian state.[11] (In this regard, it is important to point out that the October 2003 Geneva Initiative signed by former Israeli and Palestinian officials, laid out a permanent status peace agreement including security arrangements, which surprised and shocked the Israeli government. There is little doubt that Sharon's unilateral disengagement from Gaza was his attempt, at least in part, to deflect attention away from the Geneva agreement and from any international pressure to negotiate with the PA over Geneva's terms. These terms, successfully implemented, could have led to the establishment of a Palestinian state in the West Bank and Gaza, thereby reuniting them). Indeed, the disengagement plan, by formally separating the territories into two entities each with a separate status, divides the Palestinian people, separates families, and makes it difficult if not impossible for Gazans to access a range of services, including health and education. By destroying the national collective and with it political unity, separation further diminishes organized resistance to the occupation regime. Separation also removes the geographical basis of a national economy, denies people access to all of their lands, prevents them from exploiting their natural resources, and severs the Palestinian economy from the global one. This is why, in effect, the evacuation of Gaza's

Israeli settlements and the subsequent "restoration" of nearly one-third of the Strip's land to Palestinian use had no meaningful impact on the local economy.

As Israeli journalist Amira Hass writes, "The total separation of the Gaza Strip from the West Bank is one of the greatest achievements of Israeli politics. . . . Since January 1991, Israel has . . . perfected the split and the separation: not only between Palestinians in the occupied territories and their brothers in Israel, but also between the Palestinian residents of Jerusalem and those in the rest of the territories and between Gazans and West Bankers/Jerusalemites."[12] As a result of the disengagement, some 15 percent of the total worldwide Palestinian population is now confined to an area of 140 square miles.

The political nature of Israel's separation policy is clear in an official Israeli document entitled *Procedure for Settlement in the Gaza Strip by Judea and Samaria Area Residents, December 2010*, which states: "In 2006, a decision was made to introduce a policy of separation between the Judea and Samaria Area and the Gaza Strip in light of Hamas's rise to power in the Gaza Strip."[13] In fact, implementing the policy of severing and isolating Gaza from the West Bank became easier for Israel—backed largely by the West and led by the United States—after Hamas's 2006 electoral victory and its 2007 takeover of the Strip. This isolation, which impedes institution-building and other developmental processes, was also an important factor in facilitating Israel's 2008–2009 and 2012 attacks on Gaza. It will no doubt remain a critical (if under-recognized) component of Israel's vision going forward, unchallenged if not embraced by key international donors.

With regard to Gaza, I believe the reasons for this isolation are clear. Gaza is the historical center of political resistance and often the driver and dynamic source of conflict. As such, it represents a political challenge and threat that goes well beyond—and long precedes—the establishment of Hamas. Israel understood this, which is why Gaza was sealed and cut off from the West Bank and a devastating siege imposed, now approaching a decade in length.[14]

Some Critical Paradigm Shifts in the Israeli-Palestinian Conflict

The lack of territorial contiguity between Gaza and the West Bank, the geographic distance between them, and the absence of any "safe passage" are what make Gaza's total separation and isolation possible. It reflects just one of several critical paradigm shifts that have emerged over the last decade. These have profoundly changed the way the Israeli-Palestinian conflict is understood, with crucial consequences for both territories.[15] With regard to Gaza, these transformational shifts have accelerated its de-development and the reality of Gaza's functional unviability.

Gaza's isolation, which has come to define the post-Oslo status quo, itself derives from another defining paradigm shift: the steady, seamless normalization of the occupation over the last two decades—the way it has come to be

seen as natural, manageable, and routine, and has been largely acceded to by key international actors.[16]

Indeed, in the more than two decades since the Oslo agreements were signed, it has become clear that the occupation is not going to be stopped. If the occupation has changed over time, it is in the extent of its expansion and the tightening of its grip. The most obvious indication of its entrenchment is the relentless growth of Israeli settlements (whose population more than doubled from 262,500 in 1993 to over 520,000 in 2013)[17] and of their infrastructure (including a settlement road network from which Palestinians are effectively barred) estimated at $18.8 billion in May 2011.[18] Many if not most Israelis, largely untouched by the everyday realities of the occupation, accept—even embrace—a status quo seen as stable and permanent. According to the Israeli analyst Jeff Halper, "'security,' the term Israelis use instead of 'occupation' or 'peace,' was ranked eleventh among the concerns of the Israeli public in 2012, trailing well behind employment, crime, corruption, religious-secular differences, housing, and other more pressing issues."[19] In this way, peace and occupation are no longer seen as incompatible. On the contrary, peace can be achieved in the presence of occupation, which indeed is even seen as necessary for achieving peace. As Alon Liel, Israel's former ambassador to South Africa, stated:

> It seems that we Israelis have come to the conclusion that we no longer need peace. Behind the separation wall and with the army's might, we are more or less safe without peace. The economy is growing, and Tel Aviv is booming. The occupation is not a source of great moral discomfort to us. Except for the minority which does combat military service, the military oppression of Palestinians is out of sight and out of mind for the average Israeli. Many of us tend to believe that the conflict can be managed forever and Israel no longer has a "Palestine problem."[20]

The apparent normalization of the occupation assumes a different but extremely compelling form in the Gaza Strip. With its 2005 disengagement, Israel claims that it no longer occupies Gaza. While the claim is patently contrary to international law and has never been formally accepted by the international community, in recent years Gaza's status as an occupied territory has ceased to be a matter of much international concern. Instead, after 2006, the focus of attention shifted to Gaza's enforced isolation, containment, and punishment.

Following Hamas's assumption of power, the Israeli-Palestinian conflict was reshaped to center on Gaza and on Israel's hostile relationship with Hamas. On September 19, 2007, for example, the Israeli government designated Gaza a "hostile territory." The new designation had severe economic implications, which are discussed below.[21] It also transformed the way the occupation is seen: instead of a political and legal issue with international

legitimacy, it became a simple border dispute where the rules of war, not of occupation, apply. This represents another critical paradigm shift in the way the Israeli-Palestinian conflict is understood. This new interpretation has been made explicit with regard to Gaza, where Israel affirms that its sole post-disengagement obligations to Gaza's people "are those mandated by the law of armed conflict, which continues to apply, so long as the violent conflict between the Israeli military and armed groups in Gaza continues."[22]

The Israeli government has explicitly referred to its intensified closure (or siege) policy in Gaza as a form of "economic warfare." Thus, "damaging the enemy's economy is in and of itself a legitimate means in warfare and a relevant consideration even while deciding to allow the entry of relief consignments."[23] Aspects of this warfare include the 2007 termination of the customs code (the customs clearance for Gaza needed for imports into the territory), and the Israeli-created and controlled buffer zones cutting into Gaza's northern and eastern perimeters, which account for at least 48 percent of Gaza's cultivable land. These measures are intentionally designed to undermine and deplete Gaza's economy and productive capacity as part of its policy to bring down the Hamas regime (and punish Gazans for supporting Hamas) and to promote the Palestinian Authority in the West Bank.[24]

The West has largely come to accept Israel's recasting of its relationship with Gaza from one between occupier and occupied to one between warring parties. This has facilitated Israeli attacks on Gaza and rendered illegitimate any notion of freedom or democracy for Palestinians. Writing in 2011, Raji Sourani, an internationally recognized human rights lawyer, and the late Eyad el-Sarraj, a well-known psychiatrist, noted that "impunity has become so pervasive and violations of international law so routine, that Israel now feels comfortable admitting publicly that its closure policy targets the civilian population."[25] Their point is well illustrated by the EU's decision in summer 2012 to offer Israel "the most significant economic package . . . since the upgrade in relations was frozen [after Israel's 2009 invasion of Gaza]"[26] —and this despite official EU condemnation of Israeli practices in the territories. The deal involved an upgrade of trade and diplomatic relations in more than 60 areas, including enhanced access to European government-controlled markets. The change in attitude reflects the fact that many liberal Israelis and members of the international community no longer feel uncomfortable with the occupation of what is seen as an increasingly hostile and unsustainable Gaza, and is likely a result of the enmity to Hamas and perceptions that constant warfare with the Palestinians is inevitable.

The growing obsolescence of occupation as an analytical and legal framework leads to another important paradigm shift: from ongoing occupation to outright annexation and imposed sovereignty with regard to the West Bank (where legal grounds for changing its status are already being laid[27]), and from ongoing occupation to isolation and disablement with regard to Gaza.

The shift in the analytical framework for Gaza from occupied territory to entity governed by the rules of war has important consequences in terms of

Israeli policy toward the Palestinian economy. Whereas previously (e.g., in the first two decades of occupation), Israel sought to control and dominate the Palestinian economy, shaping it to serve its own interests, current policy (at least in Gaza) attacks the economic structure in the aim of permanently disabling it; in the process, the population is transformed from a people with national, political, and economic rights into a humanitarian problem.[28]

In a November 2008 cable from the U.S. embassy in Tel Aviv released by WikiLeaks, U.S. officials wrote: "As part of their overall embargo plan against Gaza, Israeli officials have confirmed (to U.S. embassy economic officers) on multiple occasions that they intend to keep the Gazan economy on the brink of collapse without quite pushing it over the edge," with the aim of having Gaza's economy "functioning at the lowest level possible consistent with avoiding a humanitarian crisis."[29] Confirming this analysis, the Israeli human rights organization GISHA noted that following Hamas's 2007 takeover of Gaza, the entry of goods into the Strip was limited to a "humanitarian minimum" that includes only those goods considered "essential to the survival of the civilian population."[30] In February 2009, then prime minister Ehud Olmert similarly revealed, "We will not allow the opening of the crossings to Gaza and outside of Gaza to the extent that it will help them bring back life into a completely normal pace."[31]

In the brief timespan between the U.S. embassy's analysis of Israel's policy of intentional deprivation and Olmert's effective confirmation of it, Israel launched its unprecedentedly destructive OCL. Some 1,400 Palestinians (mostly civilians) and 13 Israelis (including 3 civilians) were killed during the three-week assault. The attack destroyed or partly destroyed 6,300 homes, 18 schools, and 30 mosques. In addition, Israel destroyed or damaged 280 schools and kindergartens, 1,500 factories and workshops, and almost half of Gaza's 122 health facilities, including 15 hospitals.[32] The destruction wrought by OCL further contributed to Gaza's disablement and the "humanitarianization" of her people: "the total direct cost of the damage to Gaza's civilian infrastructure was estimated at between $660 million and $900 million, while total losses from the destruction and disruption of economic life during the invasion were put at $3 billion to $3.5 billion."[33]

Indeed, senior army officers developed "mathematical formulas to monitor foodstuffs and other basic goods entering the Strip. . . . The formulas used coefficients and a formulation for 'breathing space,' a term used by . . . authorities to refer to the number of days remaining until a certain supply runs out in Gaza, to determine allowed quantities."[34] In other words, the military used these formulas "to determine the quantity and types of food Gaza residents would be allowed to consume."[35] The formulas were totally arbitrary: for example, while hummus was permitted, hummus topped with pine nuts or mushrooms was not.[36]

In November 2012, Gaza's economy and society came under attack once again. During OPD, which lasted eight days, 167 Palestinians (well over half civilians) and 6 Israelis (including 4 civilians) were killed.[37] Israel targeted

hundreds of residential buildings, (completely destroying 126 homes), 233 public facilities (including 88 educational institutions), 83 sites of worship and cemeteries, 19 health facilities, 3 syndicates, 2 sports facilities, 4 media organizations, 41 service facilities, 6 recreational facilities, 4 banks, and 182 industrial, commercial, and agricultural facilities.[38] According to the former commissioner-general of UNRWA, Karen Abu Zayd,

> Humanitarian and human development work was never meant to function in an environment devoid of constructive efforts to resolve conflict or to address its underlying causes. Indeed, humanitarian work is profoundly undermined in a context where there is implicit or active complicity in creating conditions of mass suffering. This is the situation bedeviling Palestinian prospects.[39]

Given the policy of economic warfare against Gaza, it is but a short step from the goal of Gaza's isolation and disablement to that of its abstraction and deletion. Israeli policy has also shifted from addressing the economy in some manner (whether positively or negatively) to dispensing with the concept of an economy altogether. That is, rather than weaken Gaza's economy through punishing closures and other restrictions, as had long been the case, the Israeli government has imposed an intensified closure that treats the economy as totally irrelevant, "a dispensable luxury."[40]

Perhaps the most dramatic expression of Gaza's economic nullification was the Israeli Supreme Court's decision in November 2007 to approve fuel cuts to Gaza—deemed permissible since it would not harm the population's "essential humanitarian needs."[41] This was followed in January 2008 by the court's approval of electricity cuts and in May 2008 by a lowering of acceptable levels for fuel and electricity. The court stated, "We do not accept the petitioners' argument that 'market forces' should be allowed to play their role in Gaza with regard to fuel consumption."[42] Hence, once the government decides how much fuel it will allow into Gaza, the economy has no role. According to analyst Darryl Li, "In place of any legal framework, the state has proposed—and the court has now endorsed—a seemingly simple standard for policy: once [undefined] 'essential humanitarian needs' are met, all other deprivation is permissible."[43] On January 2, 2012, Israel destroyed (without any meaningful protest from the international community) buildings and facilities at the Karni crossing, Gaza's main commercial crossing point. The actual destruction of the crossing, already closed since early March 2011, further diminished if not eliminated the possibility of Gaza's economic recovery.[44]

The endpoint of Israel's policy continuum as applied to Gaza is the transformation in the eyes of Israelis and some members of the international community of Palestinians, especially Gazans, into intruders in their own land, without claims, living in submission and dependence in a place where true

civilians no longer exist. Within this construct, Palestinians are reduced to a "humanitarian issue," a demographic presence in impoverished enclaves without economic and political rights and dependent on the "goodwill" of the international community. They are rendered disposable and unneeded, people of no account, who make no difference except as charity cases or terrorists.[45]

For some time, there has been no question of economic growth or development, change or reform, freedom or sovereignty. Rather, for Gaza, the issue has been one of essential humanitarian needs, of reducing the needs and rights of nearly two million people to an "exercise in counting calories" and truckloads of food.[46] In this way, Israeli policy diverts attention from, and in fact justifies, the destruction of Gaza's economic infrastructure and productive capacity,[47] goals largely accomplished with OCL. Within such a scenario, aid can at best be a palliative, what the World Bank describes as "slowing down socio-economic decline [rather] than [serving as] a catalyst for sustainable economic development."[48] Thus Gaza's already fragile economy has been transformed from one driven in large part by private sector productivity and trade to one dependent on humanitarian assistance, public sector salaries (themselves dependent on foreign assistance), and black market trade.

New Developments in the Gaza Economy: The Impact of the Blockade

In its 2011 report on poverty in Gaza and the West Bank, the World Bank summarized Palestine's reality:

> Following the second intifada of 2000, the Palestinian economy began to resemble no other in the world. Limited say over economic policies and trade, the extent of dependence on Israel and international aid and a regime of internal and external closures has created an economy characterized by extreme fluctuations in growth and employment and an increasing divergence between the two territories: *the West Bank a fragmented archipelago; and Gaza an increasingly isolated island* [emphasis added].[49]

Of all the problems besetting the Gaza Strip in recent years, the most ruinous has been the acute closure that ended the functioning of the formal economy, especially trade.[50] The closure, which was intensified (herein referred to as the blockade) after Hamas's 2007 takeover of the Strip, has been the shaping force of Gaza's economy since the start of the second intifada.

Although closure has a long history in Gaza dating back to 1991, restrictions became more acute after 2000 and the start of the second Palestinian uprising. It was tightened further after the 2005 disengagement, deepening the separation between the Strip and the West Bank. Another damaging fea-

ture was closing the Rafah crossing between Gaza and Egypt to the movement of goods (though not people). Still, it was not until late 2006, after Hamas's electoral victory and the escalated conflict between the Israeli military and armed groups in Gaza (triggered by the capture of Israeli soldier Gilad Shalit by Hamas operatives in June 2006), that heightened restrictions were imposed on imports and exports as well as on the movement of people, including Gaza's labor force.

With the further intensification of closure after Hamas's takeover of the Strip in June 2007, heavy restrictions were imposed on thousands of imported products, including from the West Bank, severely reducing the flow of goods. Normal trade ended when Israel cancelled the customs code for the Gaza Strip, making the importation of anything (except humanitarian goods) and the export of finished products virtually impossible. By September 2008, the normally restrained World Bank wrote that Gaza had been "starkly transform[ed] from a potential trade route to a walled hub of humanitarian donations."[51]

In June 2010, the Israeli government eased the import restrictions somewhat in response to international pressure following its May 2010 attack on the *Mavi Marmara*, a ship that was part of the "Freedom Flotilla" of humanitarian goods bound for Gaza with the intention of breaking the blockade. Although there were no longer food shortages after the easing, purchasing power remained weak (and will remain so as long as exports are severely restricted). This situation has not substantially changed: In late 2012, the World Bank reported that "access to Gaza remains highly controlled, and only consumer goods and construction material for donor-supervised projects are allowed in. Products from Gaza to the West Bank and Israeli markets . . . are prohibited. Only small shipments of certain agricultural and manufactured products are exported to other markets through donor-supported projects. East Jerusalem, which is considered a highly lucrative market, is beyond reach."[52]

The virtual ban on exports from Gaza has not been lifted to this day (August 2014). Israel has claimed security reasons, but since the prohibitions involved such items as furniture destined for PA schools in the West Bank,[53] citrus fruit to West Bank grocers, and textiles to Israeli companies,[54] it is difficult not to conclude that the restrictions have little if anything to do with security. Instead, their purpose clearly is to maintain the separation of Gaza and the West Bank. Indeed, Israeli security officials themselves have attributed the export ban "to a political decision to separate Gaza from the West Bank."[55] The government terms the policy a "political-security" necessity.[56] Significantly, "decisions regarding [the] sale of goods from Gaza to the West Bank . . . could only be made by the prime minister's office."[57]

Diminution of the Private Sector: Some Statistics

Among the consequences of the blockade (worsened by severe economic restrictions and continuing military assaults) is the extreme degradation of Gaza's private sector and productive base. The result has been to introduce

several new and damaging dynamics to one of the most densely populated areas in the world, more crowded even than Tokyo.[58]

The impact of the blockade on the private sector, traditionally the driver of economic growth, has been dramatic. For example, prior to the intensification of the closure in 2007, 54–58 percent of Gaza's employment was generated by private sector manufacturing,[59] agriculture, construction, and services. Gaza's manufacturers imported 95 percent of their inputs and exported around 85 percent of their finished products primarily to Israel and the West Bank (which received "90 percent of [Gaza's] garments, 76 percent of furniture products and 20 percent of food products").[60] In December 2010, the Portland Trust, a British NGO promoting peace and stability in Israel/Palestine through economic development, claimed that between 2006 and 2010, the number of private sector employees dropped from 93,000 (58 percent of total employment) to 33,000 (21 percent of total employment). The largest losses were in the manufacturing sector, which by 2010 had only 6,546 employees (4 percent of total employment) working in 675 firms, a precipitous drop from 33,150 employees in 2006 (21 percent of total employment) working in 2,082 firms. Conversely, public sector employment between 2006 and 2010 increased from 45,000 to 112,000, increasing its share of total employment from 28 to 70 percent.[61]

With regard to imports, by May 2009 the list of commercial items approved to enter Gaza had plunged from 4,000 before the blockade to a mere 30 to 40 after, gradually increasing to around 400 by summer 2010.[62] In the fall of 2008, Israel had imposed a ban on fuel imports into Gaza such that, between June 2005 and September 2008, at least 95 percent of Gaza's 3,900 industries were forced to close, while the remainder operated far below capacity.[63] Of the private sector's benchmark capacity of 120,000 persons employed, about 100,000 lost their jobs.[64] All this was prior to OCL, which dealt a crushing blow to the formal economy.

Perhaps most critically for the manufacturing sector, Israel's "economic warfare" policy banned virtually all exports as of mid-June 2007; this ban was not affected by the June 2010 easing of restrictions. (It should be noted that the ban violates a commitment in the U.S.–brokered 2005 Agreement on Movement and Access [AMA] signed by Israel and the PA to allow 400 truckloads of exports per day.[65])

The main exception to the export ban involved a limited export of flowers and strawberries to Europe, part of a program funded by the Dutch government to bring Gaza produce to European markets.[66] Farmers in Gaza were permitted to export an average of two truckloads (e.g., strawberries, flowers, peppers, and tomatoes) per day or 290 truckloads for the entire year (November 2010–May 2011).[67] Comparing Gaza exports for the period January–May 2007 to the same period of 2013, the United Nations found that exports by number of truckloads from the Strip fell from 4,769 to 81, less than 2 percent of the pre-June 2007 level.[68] In other words, during the first five months of

2013, Gaza was allowed to export one-fifth of what the AMA had promised as allowable exports for a single day.[69]

Given that all exports were to Europe, and given the comparatively higher cost of exporting there, much of this trade is not profitable. According to GISHA, such exports mainly reflect the fact that they are not part of a rationally functioning economy but "more like the outcome of a humanitarian aid project."[70]

Nonetheless, for the farmers involved, these exports were crucially important; yet even such modest quantities were not secure. Due to Palestinian rocket fire across Gaza's border with Israel in 2013, the Kerem Shalom crossing was closed four times during March and April for periods ranging from a few days to a week, imposing considerable losses on local farmers. Following a closure in early April, for example, "Palestinian farmers were forced to destroy three tons of herbs, mint, sage, basil, and tarragon [that] had been grown [on special order] for export to Europe in quantities exceeding the demand of the local market. In addition six tons of cherry tomatoes and 120,000 flowers that were scheduled for export that week remained in Gaza resulting in losses for the farmers."[71]

For the economy as a whole, however, what has Gaza-wide significance is the ban on exports to Israel and the West Bank (and the Arab world beyond)—Gaza's traditional markets, where demand and profitability are higher. Indeed, Israel and the West Bank combined were Gaza's primary market; because of this, the "ban on the marketing of goods to Israel and the West Bank is the main impediment to sustainable economic development in the Gaza Strip."[72] Aside from the fact that the exports to Europe transit through Israel (and are subject to an intense security screening), this ban was absolute for more than four years.

On April 1, 2011, the Israeli government announced that it would permit extremely limited quantities of certain products to be exported from Gaza. It was not until January 2012, however, that the first export since the 2007 blockade actually took place: up to four truckloads of furniture manufactured in Gaza transited through Israel for an exhibition and a trade fair in Amman, Jordan.[73] This was followed in February 2012 by the export of three truckloads of tomatoes to Saudi Arabia and in March 2012 by the export from Gaza to the West Bank (the first in five years) of two truckloads (out of a promised 13) of date bars, part of a World Food Program initiative to feed Palestinian school children.[74] On May 14, 2012, Israel allowed one truck carrying 2,000 sweaters to leave the Gaza Strip for Britain after a visit to Gaza by a British parliamentarian, Lord Andrew Stone—the first such shipment in five years.[75] (Before the blockade, that same manufacturer had exported 6,000 items of clothing every week in two truckloads to Israeli customers, his preferred market.[76]) And, two truckloads of school furniture for PA schools in the West Bank were finally approved to leave Gaza during the last week of September 2012.[77]

The meagerness of the exceptions (which remain meager as of this writing) only underlines the draconian nature of the blockade. Indeed these exam-

ples beg the question: If the Israeli government allows exports as part of a UN project or private diplomatic initiative, why not allow more for commercial purposes?[78] Such modest, internationally sponsored exports will not strengthen Gaza's export potential or have any real impact on the local economy.

Banking

As part of the blockade, the Israeli government also began to restrict the transfer of Israeli currency to Gaza banks. This immediately followed Gaza's September 2007 designation as a "hostile territory." Israeli banks (including the country's largest commercial bank, Bank Hapoalim) now refuse all direct transactions with Gaza and deal only with their parent institutions in Ramallah, which are responsible for transferring currency to their branches in the Gaza Strip. However, Israeli regulations prohibit the transfer of large amounts of currency without the approval of the Defense Ministry and other Israeli security forces. Consequently, Gaza's banking sector has suffered from cash shortages and the inability to meet the cash demands of its customers. This has further resulted in the decline in banking services, a vital component of private sector activity and trade, and has given rise to an informal, unregulated banking sector controlled largely by Hamas. (Note: "While government institutions and governance in Gaza have been outside the PA's control since Hamas's takeover of Gaza in mid-2007, the Palestine Monetary Authority has maintained prudential regulation and supervision of commercial banks in Gaza.")[79]

Travel

Since the imposition of the blockade, there has been virtually no change with regard to the movement of people between Gaza on the one hand and the West Bank, Israel, and elsewhere on the other. Despite the fact that 31 percent of Gaza's residents have relatives in the West Bank, East Jerusalem and Israel, the overwhelming majority of the population in the Strip are thus confined.[80] As for the travel of businesspeople from Gaza, GISHA reported that information obtained in 2012 revealed a willingness to allow travel into Israel and the West Bank "for those purchasing large amounts of Israeli products and services, but refusal to allow travel for professional development, training, and marketing products outside Gaza."[81] According to GISHA, travel criteria show that restrictions have more to do with reducing movement than with protecting security.[82]

During the first five months of 2012, approximately 4,000 Palestinians per month were allowed to travel via the Erez crossing to Israel and the West Bank, compared to a monthly average of 520,000 in 2000,[83] or "less than one percent of the volume before September 2000."[84] Put differently, the UN reports that a daily average of 26,000 people crossed Erez in 2000 compared with 185 in 2012 (191 in 2013).[85] During the first six months of 2014 little had changed. According to GISHA, "the rate of travel was [still] less than one per-

cent (1%) of what it was in September 2000."[86] Many of those allowed through Erez are considered "exceptional humanitarian cases" who leave Gaza for "urgent medical treatment" and the people accompanying them. The remainder were merchants.[87] Gazans' access to medical treatment outside Gaza is also affected by the PA's financial position because Ramallah pays for the care received by Gazans outside Gaza, and by the tensions between the Ramallah and Gaza governments.[88]

Even more stringent restrictions apply to those Gazans wishing to enter the West Bank from Jordan via the Israeli-controlled crossing at the Allenby Bridge. These measures, according to Israeli officials themselves, are part of the government's separation policy restricting "travel from Gaza to the West Bank, even where no individual security claims are raised."[89] In fact, between 2000 and 2014, Israel prohibited Gazans from studying in the West Bank. In that time, Israel exempted only three students from the ban.[90] According to Oxfam International, "Gaza is also treated as a terminus station by Israeli authorities. Family reunification for Gaza residents in the West Bank . . . is virtually impossible, but becomes relatively easy if spouses pledge to relocate permanently to Gaza."[91]

Travel to Egypt through the Rafah crossing has been tightly restricted. Between November 2005—immediately following Israel's disengagement—and June 2006, an average of 40,000 people passed monthly through Rafah in both directions. Following Gilad Shalit's kidnapping in June 2006, the crossing was closed much of the time for almost four years. With the general easing (under international pressure) of restrictions following the *Mavi Marmara* affair, regular though limited passage through Rafah resumed, and for the last six months of 2010 a monthly average of 19,800 Gazans were allowed to travel in both directions.[92]

After the overthrow of Hosni Mubarak in February 2011 and the installation of an Islamist government under Mohammed Morsi, the movement of people through Rafah increased. In the first five months of 2012, the monthly average increased to around 30,000 (in both directions), approaching pre-2007 rates.[93] However, Rafah was closed several times following a border incident in early August 2012 (see below). Between November 2012 and May 2013, the Rafah crossing was open every day and thousands of people crossed. During the first half of 2013, an average of 40,000 people crossed Rafah in both directions every month.[94] Following the July 2013 military coup that deposed Morsi, however, the crossing was closed and subsequently reopened on a very limited basis; the number of people allowed to cross fell dramatically; in December 2013, only 5,238 people were allowed to cross Rafah in both directions, increasing to just 7,292 in July 2014.[95]

These factors—the diminished and noncompetitive private sector, the inability to trade freely within and outside the Palestinian territories, and severe restrictions on the mobility of labor—provide a powerful illustration of economic disablement and the impoverishment it produces.[96] One outcome

has been high and persistent unemployment despite some impressive (but ultimately transient) private sector growth after 2010 (spurred by the tunnel economy discussed below). In the first half of 2012, for example, broad unemployment averaged 32.8 percent of Gaza's labor force (including a stubbornly high youth unemployment rate, which stood at 56.5 percent).[97] This rate—already among the highest in the world and higher than the unemployment levels (21–25 percent) at the height of the Great Depression in the United States in the 1930s—could easily return to the even higher levels of previous years (which had reached 47 percent in 2010, according to UNCTAD.)[98] Furthermore, Gaza's 2012 unemployment rate was almost double its 2000 rate of 18.7 percent, when Gazans could still be employed in Israel.[99] Indeed, the termination of employment in Israel constitutes a major constraint on any growth of employment among Gazans.[100]

Needless to say, chronic unemployment (along with its correlates—underemployment, low labor force participation, and low wages) is linked to poverty. Approximately 39 percent of Gaza's people lived below the poverty line in 2011, a figure that has remained unchanged since mid-2012.[101] This is double the West Bank rate, and it would be far greater without donor aid (since foreign assistance remittances are calculated as household income).[102] According to the Office of the UN Special Coordinator for the Middle East Peace Process (UNSCO), this figure reflects "no reduction in poverty since 2009." This is especially troubling given the impressive growth in real GDP in the period 2009–2011 (see below)—"implying that . . . high economic expansion did not manage to lift households out of poverty."[103] Deep poverty, defined as "about 20 percent lower than the poverty line"[104] increased in the Gaza Strip from 21.9 percent to 23 percent between 2009 and 2011. During the same period in the West Bank, it decreased from 9.1 percent to 8.8 percent.[105] By 2014, Gaza's GNP per capita was $1,074, half the West Bank level and just over 3 percent of Israel's.[106]

The end result of all these factors is that a majority of Gaza's population is food insecure, meaning that they do not have access to enough food to meet their minimum dietary needs. In August 2012, 44 percent suffered from food insecurity (a decline from 2011), rising to 57 percent by July 2013, less than a year later, where it remains as of this writing in the summer of 2014.[107] It is noteworthy that this situation obtains despite the absence of a natural disaster or food shortage, and at a time of UN food distributions to over one million Gazans and the high economic growth rates mentioned above.

According to the Palestinian Ministry of Finance, the occupation cost the Palestinian economy as a whole $6.89 billion in 2010, or 85 percent of the Palestinian GDP for that year ($8.124 billion). Without the occupation, the economy would be almost twice that size. These costs derive primarily from the blockade on Gaza, restricted access to resources and sources of production, and restrictions on movement. The largest loss to the economy is caused by the blockade of the Gaza Strip, which has cost the Palestinian economy

$1.9 billion (or 28 percent of the total costs and 24 percent of GDP).[108] These figures are confirmed by the Gaza Chamber of Commerce, which estimates that the Gaza Strip loses approximately $1 million per day due to the blockade (excluding the economic costs imposed by OCL in 2008–2009).[109] In this regard, the blockade has not only undermined Gaza's formal economy, but has significantly weakened the Palestinian economy as a whole—arguably the policy's principal goal. Furthermore, massive infusions of foreign aid, which have greatly contributed to entrenching the occupation, have not arrested Palestine's economic decline but have effectively contributed to it.[110]

Gaza's Tunnels: Formalizing the Informal Economy and Other Distortions

A critical economic development in the Strip since the second edition of this book was published in 2001 is unquestionably the phenomenal (but short-lived) growth of the "tunnel economy." Tunnels burrowing under the Gaza-Egypt border have existed since the 1980s, but in the space of a few years they mushroomed from a few dozen to about 500 by the eve of OCL; by 2012, estimates reached as high as 1,100–1,200 tunnels (of which anywhere from 200 to 600 were believed operational).[111] Such growth is a direct consequence of the blockade and has taken place largely at the expense of the formal private sector discussed above. Already by 2008, the World Bank was reporting a redistribution of wealth from the formal private sector toward informal black market operators.[112] By the end of that year, the massive destruction wrought by Israel's OCL provided a further push to the tunnel economy, as the massive reconstruction required materials barred entry by the blockade.

The Rise of the Tunnels

The tunnels were almost entirely devoted to smuggling goods *into* Gaza. Exports were limited, and included horses, scrap metal, excess aggregate, ammunition, and certain Israeli re-exports (e.g., shoes, mobile phones, and hair gel) for which there was Egyptian demand.[113] The tunnels allowed Gaza to circumvent the blockade and, to a larger degree than expected, reduce dependence on Israel. By mid-2010 the tunnel trade supplied: 90 percent of all construction materials, fuel, and appliances; 70 percent of all clothing; and 60 percent of all food (20 percent of all tunnel goods arrived spoiled).[114] According to Nicolas Pelham, who has written extensively on the tunnel economy, in the late 1990s "all but 1 percent of Gaza's total imports came from, or via, Israel. By the eve of Operation Cast Lead in December 2008, the ratio had nearly reversed."[115]

Israel's easing of the blockade in June 2010 did not appreciably harm the tunnel industry. When it became easier and cheaper to acquire certain commodities from Israel, tunnel owners simply "diversified away from [those] consumer goods to construction materials [aggregate, rebar, cement] and fuel"

that were needed for Gaza's reconstruction and that continued "to face restrictions by Israel."[116] Hence, the tunnel trade regarding construction materials continued for a time to outstrip formal trade supplies and official trade with Israel. For example, in February 2012 the monthly average for cement coming through the tunnels was 31,000 tons, compared to 1,600 tons through Israel.[117] By November 2012, however, the situation, overall, had changed (although the tunnel trade still occupied a considerable percentage of imports). GISHA reported that over 47 percent of civilian goods entering Gaza (including most of Gaza's fuel) were transported through the tunnels. This translated into 4,100 truckloads per month—80 percent of which were construction materials—compared with 4,700 truckloads of commodities per month via the Kerem Shalom crossing, which by then was the sole crossing point for goods entering Gaza from Israel.[118] In August 2014, GISHA published new figures revealing the magnitude of the tunnel trade for construction materials: between October 2012 and April 2013, "a monthly average of almost 300,000 tons of cement, gravel, and steel entered Gaza through the tunnels."[119]

By 2012, the tunnel economy with and through Egypt had become Gaza's principal economic engine, accounting for 80–90 percent of its trade and valued at close to $700 million annually.[120] As summed up by Pelham: "All told, the tunnels have kick-started Gaza's reconstruction, propelling it out of the darkest days of the siege. Imports have triggered a building boom . . . [and] Gaza resembles a vast construction site."[121] Hamas officials claimed that by October 2011, half of the approximately 1,400 factories destroyed during OCL were again operational (due to the increased affordability of inputs).[122]

Once Gaza's smuggling trade assumed more formal commercial dimensions, the Hamas government established a regulatory authority known as the Tunnel Affairs Commission (TAC) to transform what was "once a tax-free enterprise promoted to escape closures . . . [into] a source of domestic revenue."[123] This "formalization" also included an "increasingly comprehensive customs regime, providing [the Hamas government] with a new revenue base that partially compensated for the Ramallah-based PA's monopoly on customs revenues collected at Israeli's ports."[124] An idea of the profitability of these taxes is provided by Omar Shaban, a Gaza economist, who reports that in 2012 the government levied the following taxes: 50 cents on every liter of gas (500,000 liters brought in daily); 80 cents on each of the 300,000 packs of cigarettes entering Gaza daily; $15 on every ton of construction steel (300 tons entering daily); and $10 per ton of cement (2,000 tons imported daily). These four commodities alone yielded the Hamas government an annual income of $188 million.[125] Import taxes on tunnel goods allowed the government to raise at least half of its $750 million 2011 annual budget locally.[126]

Meanwhile, Gaza was the scene of an enormous building boom catalyzed by the tunnel trade's comparative advantage. The building boom was partly aimed at addressing Gaza's desperate need for housing. In addition to the need to replace the 6,300 housing units totally and partially destroyed by Israel

during OCL, the population had increased by 100,000 people between year-end 2006 and 2011.[127] To accommodate this demand, the UN estimated that Gaza would need "60,000 housing units, requiring 158,450 truckloads of cement. In 2011, UN agencies estimated it would take 80 years to satisfy demand for cement at the rate it enters from Israel. Via tunnel, it would take only five years."[128] Large-scale investment from the Saudi Islamic Development Bank, Turkey, and Qatar, with some additional Arab and Islamic assistance, "fill[ed] the void left by Western donors."[129]

In early 2012, "tens of new housing towers [were] . . . under construction, each with 60–80 housing units . . . [costing an average of] about $100,000 but . . . [reaching] $200,000 due to low supply and high demand."[130] The Saudi Islamic Development Bank invested $247 million, about half of which went toward building "Saudi City," a modern public housing development that would provide homes for 11,000 people.[131] The Saudis stated in 2012 that they would double their current investment within two years. During an October 2012 visit to Gaza, the Emir of Qatar, Shaykh Hamad bin Khalifa al-Thani, pledged $400 million (representing an increase of $150 million over earlier pledges) for a range of infrastructural projects, including two housing complexes and three new motorways.[132] Turkey also contributed to Gaza's building boom with a $40 million teaching hospital for Hamas's Islamic University being built on "what was once the Israeli settlement of Netzarim."[133] Several other hospitals were under construction as well. In the summer of 2012, Israel reportedly allowed 20,000 tons of gravel to cross into Gaza without the usual security checks.[134]

The impact of the tunnel economy—coupled with Israel's easing of import restrictions in 2010—was dramatic, especially in construction and commerce (wholesale and retail), which have been the largest sources of economic growth. According to the UN, "As in 2010, construction activity was the single most important element in private sector growth in 2011 in the oPt."[135] The IMF similarly found that in 2010–2011, Gaza's annual average real GDP growth surpassed 20 percent and boasted a stunning 23 percent GDP growth rate in 2011 alone—admittedly built on a very low economic base that had been devastated by years of closure. The growth was driven primarily by construction and services, "while agriculture and manufacturing continued to be constrained by the virtual ban on exports."[136] Indeed, between first-half 2011 and first-half 2012, construction activity increased by 47.7 percent, and hotel and restaurant services grew by a stunning 131.5 percent.[137] According to the UN, "small increments to a reduced base result in high growth rates."[138]

Unemployment fell rapidly. The number of people working in construction, for example, more than tripled, from 3,700 in the first half of 2010 to 13,170 a year later. Even so, employment was still below the 1999 figure of 13,850—a stunning fact given that Gaza's total population had grown dramatically since 1999.[139] Overall employment in Gaza, largely concentrated in commerce, hotel and restaurant services, and construction,[140] grew by nearly

25 percent (relative to 2010) "due to a surge in the tunnel economy and marginally increased import restrictions through the Israeli-controlled borders,"[141] but fell to 8.3 percent during the first half 2012.[142] By 2012, construction remained "the most important source of new private employment, followed by private services and transport and communications."[143] Hence, the principal factor in Gaza's dramatic rise "in private employment was expanded activity in the tunnel economy resulting in expanded importation of much needed building materials and other productive inputs."[144]

At its height in 2010, the tunnel economy was "Gaza's largest non-governmental employer and its largest employer of youth," with some 5,000 tunnel owners and 25,000 workers supporting at least 150,000 people—around 10 percent of the population.[145] Even after the tunnel industry had peaked, it remained an important employer, with an estimated 10,000 people still employed there in February 2013.[146] Clearly, the tunnel trade was the principal catalyst behind Gaza's booming construction sector and GDP growth, "precipitating . . . Gaza's postwar reconstruction while donors remained on the sidelines."[147]

At the same time, however, the tunnel economy severely undermined Gaza's formal economy, among other things by making it possible to bypass the bureaucratic tangles required to use legal channels. A September 2012 IMF report describes the arduous process of attempting to import (under a pilot program) limited quantities of specified construction inputs, to be delivered to ten pre-approved Gaza businesses, for the rebuilding of bomb-damaged structures; negotiations began in February 2011 and by the time the raw materials were imported by mid-November 2011, "most of the ten factories had been rebuilt using materials available on the open market"[148]—in other words, materials imported through the tunnels. As a result, according to then UN Middle East peace process coordinator Robert Serry, commerce in Gaza was controlled by "smugglers and militants" rather than by "international agencies and local contractors who wish to procure goods entering through legitimate crossings" (e.g., Israel's port of Ashdod), which had been crippled by Israel's blockade policies (e.g., cumbersome bureaucracy, lengthy delays, high transaction costs).[149]

Hence, international organizations, foreign businesses, and the local business sector (producers, exporters, importers, traders, and suppliers) using traditional trade routes (with Israel, and via Israel to Europe) were often unable to compete with Gaza's underground trade—and this despite Israel's easing of restrictions[150] and despite an increase in donor-supervised public works projects. The primacy of the tunnels (itself a product of the blockade and its ongoing near-total prohibition on exports) "crushed" Gaza's commercial class, which had comparatively fewer economic assets, and increased the population's dependence on the Hamas government.[151] Pelham describes other elements of the tunnel industry's negative impact on Gaza's formal business class. These included the tunnel owners' use of unethical tactics, such as flooding the markets with their products to drive down retail

prices, thereby pushing "wholesalers to the point of collapse." According to a long-established Gaza merchant quoted by Pelham, the tunnel trade "decreased our income by 70 percent at least."[152]

Vulnerability of the Tunnel Economy: Decline and Shutdown

The tunnel economy arose largely in response to the blockade and the political context that imposed it. At the same time, however, it was subject to that same context and its attendant policies. For example, Gaza's very high GDP growth rate of over 20 percent in 2011 fell to 6.6 percent by the end of 2012. This was due to the considerable slowdown of economic growth during 2012 caused by continuing Israeli restrictions, a decline in donor assistance, and the fact that, according to UNRWA, the "limits of domestic demand in [a] region of significant poverty [had been] reached."[153] Similarly, GDP per capita grew by 13.6 percent in 2011 but fell to only 3 percent in 2012.[154]

Furthermore, while Gaza's GDP was driven higher by construction, commerce, foreign aid, and consumption (by public sector employees and "direct public sector purchases from private sector vendors"),[155] the enormous wealth thus generated in the Strip did little to benefit the productive, labor-intensive industrial and agricultural sectors of the economy.[156] A critical illustration of this is the low level of investment in the economy: around 9 percent of Gaza's GDP in 2011, with little directed to plant, equipment, and other productive inputs.[157] (Manufacturing contributed only 8.7 percent[158]). Instead, investment was increasingly directed to residential construction and land purchases, where speculation and profits were high.

By 2012, productive investment fell to its lowest level, or 1.5 percent of GDP,[159] reflecting the downturn in economic growth. In fact, UNRWA reported that between the first half of 2011 and the first half of 2012, Gaza experienced a 41.7 percent decline in agricultural GDP alone.[160] By the end of 2012, construction and services remained the principal contributors to GDP (although far less than in 2011).[161] Significantly, strong GDP growth was insufficient to reduce unemployment or to generate strengthened capacity for future production and job creation.[162]

Aside from the macroeconomic factors, the tunnel trade was undermined by an assault on the tunnels themselves. Because the tunnels had clearly allowed Hamas to solidify its control over the territory and "circumvent U.S.-led international financial restrictions,"[163] the Ramallah-based PA likely called on the Egyptian government to destroy them.[164] In fact, the Egyptian army did destroy some 120 tunnels (about 10 percent of the total) and temporarily closed the Rafah crossing—a move that stunned the Hamas leadership—in response to a August 5, 2012, terrorist attack in the Sinai near the Gaza border that cost the lives of 16 Egyptian soldiers. Cairo alleged that the militants had passed though tunnels from Gaza, a charge Hamas denied.

Nonetheless, by October 2012, the Rafah crossing had reopened with extended hours, and an improved Egyptian staff was able to process a greater

number of travelers. On December 29, 2012, the Egyptian authorities allowed the entry into Gaza of building materials donated by Qatar as part of its $400 million reconstruction project. However, the Cairo government made clear that this change in policy did not signify Rafah's full opening to commercial goods or even a marked change with regard to the tunnel industry.[165] During Israel's November 2012 OPD assault on Gaza, an Egyptian official explained why:

> The Rafah crossing is unlikely to be opened for goods anytime soon. The consensus of the security establishment and diplomatic circles is that Israel desperately wants Egypt to take responsibility for a Strip that is far away from Cairo's central authority, packed with armed militants, and suffers from a persistent humanitarian crisis. Once Egypt opens the Rafah crossing for goods, Israel is likely to permanently shut down the Karam Abu Salem [Kerem Shalom] crossing, when the next crisis erupts, effectively turning Gaza into Egypt's burden to bear [and deepening the separation with the West Bank]. The tunnels provide Gaza with items banned by the Israeli authorities at Karam Abu Salam, such as construction materials and weapons, but the bulk of Gaza's daily needs actually come from the Israeli crossing. Should it be shut down, Egypt, through the Rafah Crossing, would be entirely in charge of supplying Gaza with virtually everything it needs.[166]

Several months later, on February 3, 2013, Egypt renewed its attacks against the tunnel economy by flooding the border tunnels with sewage water. Though ostensibly aimed at stopping the smuggling of weapons and militants to the increasingly unstable Sinai Peninsula, the flooding also targeted tunnels trading in commercial goods, including fuel and construction materials.[167] Furthermore, though justified as part of a cease-fire agreement after OPD to terminate all cross-border violence between Israel and Gaza,[168] the reasons for the flooding clearly went much deeper. More generalized fears about Gaza as a national security risk had been growing within segments of Egyptian society—particularly the security services—since the Muslim Brotherhood's rise to power and its unclear relationship with Hamas.

Thus, by early 2013, great uncertainty hung over the future of Gaza's tunnel trade. The Egyptian army was already preventing the importation via tunnels of fuel and construction materials, creating shortages (especially for building materials), price increases (e.g., from $108 to $188 for a ton of cement, from $886 to $994 for a ton of rebar), and disruptions and shutdowns in projects and business operations. Competition decreased, encouraging monopolistic behavior.[169] Speaking in March, Osama Kheil of the Union of Palestinian Contractors stated: "Both contractors and citizens are worried because

Egypt plans to shut down smuggling tunnels and there isn't a clear mechanism for the shipment of construction material into Gaza once tunnels are completely shut down."[170] Moreover, fuel supplies to Gaza via tunnel, particularly from Qatar, had fallen dramatically due to instability in the Sinai. By March 3, 2013, "all fuel reserves had been depleted and Gaza's power plant was operating at 50 percent capacity."[171]

With the fall of the Morsi government on July 3, 2013 and the anti-Hamas, anti-Palestinian sentiment that accompanied it, the tunnel trade was existing on borrowed time, particularly as the Egyptian authorities targeted the tunnels "as part of a drive to regain control of the vast Sinai desert, whose population is hostile to Cairo."[172] Within less than a week, Gaza residents were complaining that, "Gas, flour, food and drink . . . cannot be found in Gaza; it has become a crisis."[173] By end of the month, the new Egyptian government had closed or destroyed approximately 80 percent of the tunnels. During the third week in July, according to an official with Gaza's Ministry of the Economy, 50,000 laborers directly or indirectly dependent on the construction sector were out of work; by the end of August 2013, the economy had already suffered around $460 million in losses across all economic sectors.[174] Over 60 percent of Gaza's industrial businesses reportedly had closed, with the rest operating at partial capacity.[175] By October 2013, the tunnel trade for all practical purposes was over.[176] At the same time, Israel's Ministry of Defense banned the transfer of any building materials into Gaza both for the private sector and international aid organizations because of the discovery of an underground tunnel between Gaza and Israel whose "exit was located near Kibbutz Ein Hashlosha, some eight kilometers from Khan Younis."[177] Israel's decision (which has remained in force), coming as it did after the effective breakdown of the tunnel trade, "spelt the collapse of Gaza's building sector," which had accounted for over 25 percent of Gaza's GDP.[178] By March 2014, unemployment in Gaza stood at 40.8 percent and by June had risen to 45 percent with some 180,200 people (many, formerly in construction) without work. Between 70–80 percent of Gazans were dependent on humanitarian aid to meet their basic needs.[179]

The Tunnel Economy and Resulting Distortions

Without doubt, the tunnel trade as a phenomenon had been problematic even under the best of circumstances, making it unsuitable for rehabilitating the manufacturing sector through the import of raw materials or the export of finished products. The trade was highly vulnerable to closure or attack by Israel and Egypt and to political and economic conditions in both countries, and was overwhelmingly one-way. The non-manufacturing goods were of low quality and the supply unpredictable,[180] leading to price fluctuations. Transit costs were high, and the risk of damage to goods in transit was ever-present, despite improvements made in this regard. Furthermore, international organi-

zations working in Gaza on a range of projects were not allowed to purchase anything through the tunnels because they were under Hamas government authority; they were further forbidden to work with any Hamas institution, public or private, resulting in discriminatory practices.[181]

More importantly, increased construction activity—itself limited by the small size of Gaza's market—could not serve as the basis for future economic growth. Even at its height, some analysts predicted that, all things being equal, the boom could not last beyond a few years (or less), as most buildings were expected to be completed and the housing stock restored.[182]

There were other distortions arising from the tunnel trade as well. At least two new economic classes emerged in Gaza—a phenomenon with precedents in the Oslo period. The first and arguably the most prominent was a new mercantile elite of black market traders and merchants grown extremely wealthy from the tunnel economy, which provided them with a form of upward mobility unimaginable just a few years earlier. By August 2012, Gaza reportedly had around 800 millionaires and "1,600 near-millionaires"[183] who owed their fortunes to the new economic order, and likely had little if any incentive to change it.[184] According to an Egyptian official, "I remember when those involved in fuel smuggling through the Rafah tunnels arranged for mortar attacks against the Nahal Oz fuel terminal bordering Israel because they didn't want competition."[185] Such a situation creates an economic anomaly in which productive sectors are greatly diminished while a small segment of beneficiaries enjoy amazing growth.[186]

The second "new" class consisted of certain public-sector employees. These included the approximately 55,000–60,000 civil servants and security personnel hired before 2007 who were being paid by the Ramallah-based PA *not* to work for the Hamas government.[187] According to UNSCO:

> PA support to Gaza in the form of these salaries, [as well as] medical supplies and other expenses is estimated to amount to $1 billion a year. Since the PA is unable to collect taxes in Gaza and the tax revenue it collects on Gaza's imports is minimal, most of the PA's expenditures in Gaza are being financed by international aid. Gaza is thus basically being kept alive through external funding, in the form of aid and remittances, and the illegal tunnel economy.[188]

The PA salary subventions (including PA payments to the UN for over 10,000 local staff), amounting to $65 million each month, sustained Gaza's liquidity and purchasing power.[189] Yet even under a best-case scenario, a major challenge for the Hamas government and for Palestinian reconciliation overall, according to Gazan economist Omar Shaban, remained the re-accommodation of the tens of thousands of paid but idle PA employees into the Gaza Strip and the assimilation of "hundreds of newly rich Palestinians who [had]

amassed vast fortunes from illegal trade as well as legal economic activities, and [the re-incorporation of] hundreds who had halted economic activity because of the blockade."[190]

These phenomena led to social and economic disparities between the haves and the have-nots, the overwhelming majority of which were not only vast, but also highly visible. Gaza's restaurants and shops became sites of an almost perverse consumerism, the exclusive domain of the nouveau riche and wealthy who were seemingly oblivious to the approximately 70–80 percent of Gazans dependent on relief handouts to meet their basic needs (echoing a not-so-distant past).[191]

The increased spending power of the wealthy led to further distortions in the form of investments. Since the rich lacked experience in formal business practice and management, and since they could only invest locally in traditional forms of investment such as land and real estate, land prices, especially on Gaza's coast, rose dramatically. So did real estate prices, which in 2012 were reported to have increased several fold.[192] In fact, the rise in real estate prices was so spectacular that the price (per square meter) of property in Gaza's largest refugee camp, Jabalya, was reportedly nearly equivalent to prices in Tel Aviv, while property in Rafah was apparently more expensive than in Cairo.[193] Gaza City boasted many new hotels, restaurants, apartment buildings, and beach cafés, attracting not only Gaza's new moneyed elite, but also people returning to Gaza (sometimes via tunnels) and even tourists from North Sinai. "Visiting businessmen from the West Bank complained that the latest-model sports cars and Hummers could be seen on Gaza's streets long before they surfaced in Ramallah."[194]

Shaban further argued that because of the tunnel trade "the inexperienced are rich and the experienced are poor."[195] The former had the capital but little else, residing outside the formal economy and seeing little need to engage the banking system, register at Chambers of Commerce, or participate in business partnerships at the international level. The poor, meanwhile, had considerable economic experience domestically and internationally, but no capital and hence no power or influence.

Without doubt, the years-long blockade, coupled with the devastation wrought by OCL, introduced and institutionalized dynamics that have undermined Gaza's formal economy (and introduced new social distortions) in favor of a pseudo-official black market that became increasingly formal in an environment where donor aid was—and remains—a principal driver of the economy. As a result, economic behavior was reduced to its lowest common denominator—consumption. According to a study by the Swedish International Development Cooperation Agency, "the informal economy has been observed to have more of a fixed character in countries where incomes and assets are not equitably distributed. It seems that if economic growth is not accompanied by improvements in employment levels and income distribution, the informal economy does not shrink."[196]

To a certain degree, this dynamic was also present in Gaza's banking sector. The Palestine Monetary Authority reported having had difficulty getting permission from the Israeli government to transfer needed cash to Gaza's banks. The resulting cash shortages led to hoarding by the public, making the shortage worse. Not only did this diminish the credibility of the formal banking sector, it also strengthened the unregulated sector. The cash transfer to Gaza made in May 2012 was the first that had occurred in nearly a year and a half.[197] Outstanding credit at the end of 2011 in Gaza was about half its 2005 level.[198]

Another indicator of the increasingly informal nature of Gaza's economy was the "disproportionately low growth in the number of employers [while] the number of self-employed grew at more than twice the rate of employment [overall]. Meanwhile, the number of unpaid family members nearly tripled" in 2011, a striking contrast with trends in the West Bank.[199]

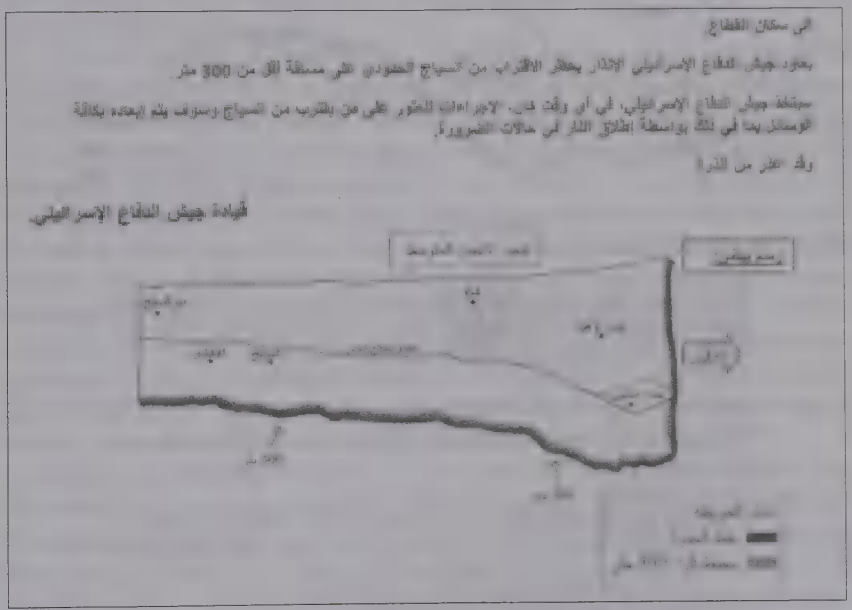
Gaza's tunnel economy was, as Pelham argues, "a remedial answer to the blockade, not an economic solution."[200] Because of this, its multiplier effects (including increases in private sector employment) could not begin to compensate for the decline of the formal economy, as seen in the virtual end of export trade and the attendant erosion of the manufacturing and agricultural sectors. Thus, although the tunnel trade can and should be understood as a form of empowerment and self-sufficiency that provided critically needed goods and jobs in an extremely adverse environment, it nonetheless represented a dangerous and increasingly damaging reconfiguration of economic (and social) activity. As a Gazan colleague powerfully put it when the tunnel phenomenon was on the rise: "The world has long gone airborne and has increasingly gone wireless. The world's economy has become borderless and virtual. And here we are, digging ourselves into the sand."[201]

The Buffer Zone and the Despoliation of the Agricultural Sector[202]

Although the buffer zone was created before mid-2007, when the blockade reached its full force, it has become an intrinsic part of the blockade, intensifying Gaza's isolation and sealing it off from the rest of the world. Israel had first imposed the zone, unilaterally, along the length of Gaza's borders, land and sea, at the start of the second intifada in September 2000, ostensibly as a security measure. In fact, however, the zone also contains some of the Strip's most fertile land. Restricting access to these farmlands has therefore contributed significantly to the degradation of Gaza's agriculture. Of particular importance are the ecological impacts of the "security operations" carried out inside the buffer zone and its environs.

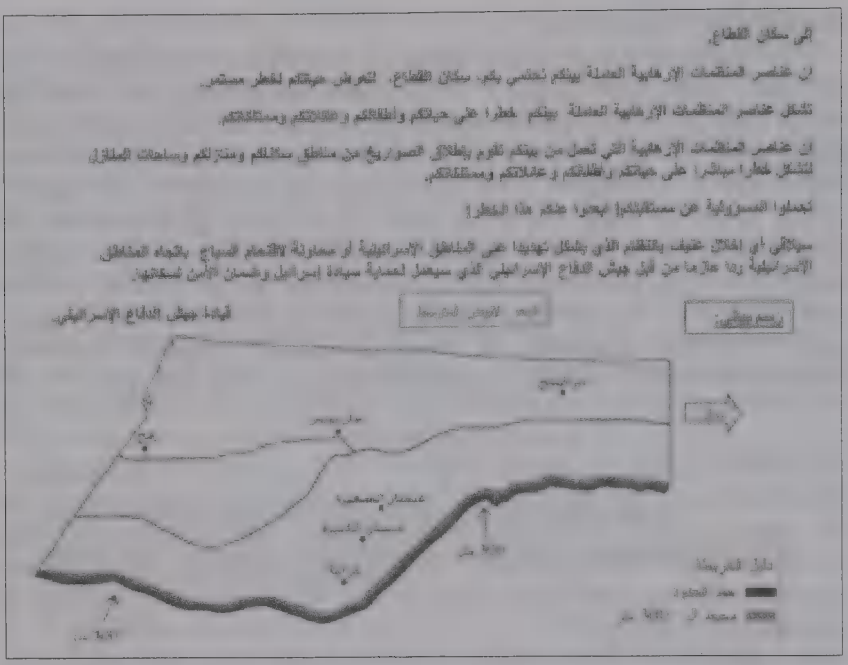
Access Restricted Areas

The buffer zone—or "access restricted area" (ARA)—comprises a "no-go" zone, totally inaccessible to Palestinians, and a "high risk" zone, to which Palestinians have partial access. According to the Palestinian human rights group al-Haq, although Israel "carries out land incursions into the buffer zone an average of 3–4 times every week and naval forces continuously patrol the coast, the buffer zone is not physically demarcated."[204] Originally designed to be 50 meters wide but gradually expanded, the Israeli military has consistently maintained that the "no-go" area was within 300 meters of the border fence (as indicated by the IDF leaflet below), from where Palestinian armed groups have fired on Israeli targets.[205] However, Palestinians have been shot at up to two kilometers from that fence,[206] and



Map 1, unofficial translation:

> To the people of the Strip: The Israel Defense Forces repeat their warning about the danger of approaching within 300 meters of the borderline. Henceforth, the Israel Defense Forces will take all necessary measures to eliminate anyone who gets close to the zone. If necessary, the IDF will open fire without hesitation. No excuses will be accepted now that you have been warned.[203]
>
> [Signed] The Leadership of the Israel Defense Forces



Map 2, unofficial translation:

To the population of the Strip: Elements of the active terrorist organizations among you are seeking shelter with you, the population of the Strip, subjecting your lives to constant danger.

Elements of the active terrorist organizations among you constitute a danger to your lives, your children, your families and your property.

Elements of the terrorist organizations which operate among you are launching missiles from nearby your homes and from your houses and yards, posing a direct danger to your lives and your children, your families and your property.

Take responsibility for your future! Keep yourselves away from this danger.

Any violent disturbance that constitutes a threat to Israel or any effort to penetrate the buffer zone in the direction of Israel will encounter a resolute response from the Israel Defense Forces, which will act to defend the sovereignty of Israel and guarantee the security of its population.

[Signed] The Leadership of the Israel Defense Forces

virtually all sources concur that the buffer zone, described by the UN as a hazard and danger zone, extends at least one kilometer into Gaza, well beyond the 300 meters claimed by Israel.[207]

This situation changed in late December 2012: under the Israel-Hamas cease-fire agreement concluded to end Israel's November 2012 OPD attack on Gaza, the zone was provisionally reduced to 300 meters. Though an earlier cease-fire (following Operation Hot Winter in February–March 2008) containing the same provision had subsequently broken down and the buffer zones quickly expanded again,[208] this time Hamas reportedly worked hard to maintain the calm. According to an Israeli analyst, Hamas has been "barr[ing] civilians from getting within 100 meters of the fence and its own armed forces from coming within 500 meters of it."[209] Despite the slight easing of restrictions called for by the 2012 cease-fire agreement, access to land inside the buffer zone remained inconsistent, limited, and precarious through mid-2014.[210]

The buffer zone, at least up until the 2013 implementation of the OPD cease-fire, absorbed nearly 14 percent of Gaza's total land area, including many groundwater wells and roads. Moreover, because Gaza's most arable land is along and within the buffer zone, this overall percentage translates into 48–55 percent of the Gaza Strip's total arable land (TAL).[211] According to the Food and Agriculture Organization (FAO), "the buffer zone contains rain-fed crops including wheat, barley, beans and various vegetables, as well as olives, almonds, and citrus trees. Most of the Gaza Strip's animal production is concentrated in the zone, which also contains important infrastructure such as wells and roads."[212] The result is that losses due to buffer zone restrictions have been great: in 2012 the UN reported an annual loss of about "75,000 metric tons of potential produce."[213] This is equivalent to just under 83,000 (U.S.) tons, "representing a loss of US $50.2 million each year for the farmers of Gaza."[214]

Under the combined impact of losses from lack of access to land and the impossibility of exporting produce, the percentage of the labor force working in agriculture fell from 12.7 to 7.4 between mid-2007 and early 2010, leaving those who remained to rely on small-scale agriculture to meet their daily food needs.[215] A 2009 study by Save the Children UK found that "50 percent of respondents who lived in the buffer zone reported losing their sources of livelihood since 2000, compared with 33 percent of the general Gaza population."[216]

More broadly, lack of access to farmland and the water resources they contain is a critical cause of food insecurity. According to the Emergency Water, Sanitation, and Hygiene Group (EWASH), which represents more than 30 organizations working in water, sanitation, and hygiene in the West Bank and Gaza, "In the past, agriculture production in Gaza ensured food security. Currently [February 2011], agriculture in the Gaza Strip is barely viable."[217]

The impact of the maritime buffer zone is similarly devastating. Gaza's fishing industry (once a vital component of the local economy, as was the agricultural sector overall) now verges on collapse. Between January 2009

and November 2012, fishermen were restricted to areas 3 nautical miles (NM) from the shore, and thus denied access to 85 percent of the maritime areas agreed to in the Oslo accords, which placed the boundary at 20 NM.[218] (The most fertile fishing area is beyond the 8 NM boundary). Sometimes, access is restricted to just 1 NM.[219] Israel enforces the buffer zone through regular patrols. As part of the above-mentioned November 2012 cease-fire agreement, the buffer zone was extended to 6 NM. In late March 2013, in response to the launching of rockets by Palestinian armed groups, Israeli security reduced the buffer zone back to 3 NM "until further notice,"[220] but in May, the zone was again extended to 6 NM where it remained until July 2014 when it was again reduced to 3NM.

As a result of these restrictions, Gaza's total catch declined by 90 percent between 2008 and 2011; its main catch, sardines, recorded its worst season in twelve years in 2011.[221] Between 1999 and 2012 the annual fish yield declined from 3,650 to 1,938 metric tons. However, when fishing areas were increased to 6NM in late 2012, fish yields rose to 2,437 metric tons in 2013 (with sardine yields experiencing much higher levels in 2013 and in April–May 2014).[222] The number of fisherman also declined, from 10,000 in 2000 to 3,500 in 2013 where it remained through 2014.[223] If fishing industry workers and their families are included, at least 65,000 people were affected by the maritime buffer zone restrictions in 2011. Furthermore, 90 percent of fishermen (compared to 50 percent in 2008) were living below the poverty line in 2011; three years later 95 percent of Gaza's fishermen were dependent on international aid to survive.[224] By 2014, approximately 180,000 Palestinians or 12 percent of Gaza's total population were directly impacted by Israel's buffer zone restrictions on land and sea.[225]

Destruction and Long-term Impacts

The most devastating aspect of the buffer zone policy is the long-term ecological damage it inflicts, not only on the arable land, but also on the maritime area off the coast. Fishing within the Israeli-imposed zone, for example, "rapidly depletes new generations of fish, with severe implications for fish life-cycles and therefore long-term fishing livelihoods."[226] Furthermore, the daily inflow of tens of millions of gallons of raw or partially treated sewage into the Mediterranean Sea (discussed below), which pollutes the waters within the 3 NM limit especially, clearly harms marine life and contaminates fish for human consumption. According to one specialist, "An examination of the fishing industry in Gaza now reveals that what was [once] a source of protein for the population has now virtually ceased."[227]

Much of the destruction to agricultural land and structures since the 2005 disengagement took place during OCL in December 2008–January 2009.[228] The terrible destruction visited upon Gaza's agricultural sector during OCL was concentrated in—but not confined to—the buffer zones. In the final days of the assault, some 200 tanks and tracked vehicles systematically working

back and forth along Gaza's eastern border bulldozed and flattened 7,847 acres of agricultural land—citrus trees, other fruit-bearing trees, greenhouses, nurseries, farms, etc.—compacting the soil.[229] Of this total, about 5,000 acres were in the buffer zone, with the remaining acres outside it. Combined, these areas account for about one-third of Gaza's total arable land that was forced out of production, a situation that appeared unchanged by June 2014.

Between disengagement and 2011, the following were damaged and destroyed inside the buffer zone (including that which occurred during OCL): the 5,000 acres of agricultural land mentioned above, which included over 300,000 fruit bearing and other trees (among them 140,965 olive trees and 136,217 citrus trees) covering over 2,800 acres of land; 305 water wells; over 356,000 greenhouses; 21,100 nurseries; 377 sheep farms; 197 chicken farms; three mosques (totally destroyed); three schools; six factories; and 1,367 houses (996 of which were totally destroyed).[230] The replacement value of the civilian property destroyed in the buffer zone between 2005 and 2010 is estimated, minimally, at $308 million.[231]

According to local sources, the land area between Bayt Hanun in the northern Strip and the Israeli border fence is now 80 percent devastated, though it still contains pockets of agricultural production. In 2011 alone, the IDF engaged in at least 69 land-leveling operations and incursions in the Bayt Hanun area beyond the 300-meter limit, which "damaged Gaza's topsoil in prime agricultural areas."[232] Incursions also resulted in damage to civilian infrastructure—e.g., homes, schools, water and sanitation facilities, a water reservoir, and a newly built sewage pump station.[233] On April 30, 2012, according to a news report, local farmers stated that seven Israeli "army vehicles including bulldozers entered Gaza north of Bayt Hanun and dug up lands in the border area"; other locals reported that "four Israeli vehicles crossed the border east of Bayt Hanun and dug up agricultural lands."[234] No explanation as to the reason for the incursion and land leveling operations was reported. On August 6, 2013, several Israeli military vehicles and military bulldozers "carried out a limited invasion into the Al-Boreij refugee camp, in central Gaza, and uprooted farmlands."[235]

It is important to emphasize the long-term if not permanent damage inflicted on agricultural land by leveling operations. The concern here is not only about the destruction of agricultural crops and consequent loss of access to food, but also about what is possibly happening to the soil itself. Soil compaction resulting from the IDF's methodical movement back and forth over the same piece of land with bulldozers or other tracked vehicles forces farmers to deep plow. However, deep plowing is problematic without sufficient irrigation, which remains a serious problem in the buffer zone due to the destruction of ground water wells (the main source of irrigation).[236] Deep plowing in such conditions turns the land into a non-arable dustbowl. Non-arability is further exacerbated by the suspected toxicities of some soils resulting from their saturation by chemicals, sewage, and weapon debris.[237] The resulting

desertification process will, in the absence of remedial measures, ensure that the land becomes totally irredeemable.[238] The nature of the damage suggests to some analysts the possibility of a policy that may be concealing a greater outrage, particularly with regard to Gaza's economic unviability.

The drying out of Gaza's soil is a devastating problem that has not received the attention it deserves. It has been examined by Desmond Travers, a member of the four-person Goldstone Fact Finding Mission established by the UN in 2009 "to investigate all violations of international human rights law and international humanitarian law that might have been committed at any time in the context of the military operations that were conducted in Gaza during the period from 27 December 2008 and 18 January 2009, whether before, during or after."[239] Travers indicated that the problem of desertification became especially clear when he visited Gaza in February 2013. At that time engineers from the Coastal Municipalities Water Utility (CMWU) reported the appearance of sand dunes in areas of the Strip where none had previously existed.[240]

This information was supported by the Palestinian Union of Agricultural Work Committees (UAWC), who further told Travers during his 2013 visit that Gaza's three main wadis, through which waters from Israel flow westward toward the Mediterranean, had dried up. These wadis include: one in the north of Gaza; one in Gaza central (Wadi Gaza), which has been turned into an open sewer since OCL[241]; and one in the south of Gaza (the UAWC did present to the Goldstone Mission but not on this particular issue). This situation, with terrible consequences for agriculture throughout Gaza, is quite new. According to the UAWC, it is the result of Israel diverting waters before they reach Gaza in order to fill and replenish reservoirs recently constructed in the Negev, a diversion that occurred after OCL.

After OCL, the UAWC also reported the existence of unexplained crop variations (e.g., relating to color, shape, and texture) in areas where conflict had occurred and expressed concerns about the effects of consuming such crops. The UAWC showed Travers a photo of a strip of land about eight meters wide in which anomalies in vegetation had been observed, possibly caused by chemical leakage from Israel's military vehicles or the use of mine-clearing munitions such as Viper.[242] Though soil testing was deemed a necessity, the Israeli authorities reportedly refused access to the land for it to be carried out. They also refused to allow farmers to import pumps that could be used to repair damaged agricultural wells. The UAWC had asked the UN to conduct soil testing, but as of February 2013 this had not been done.

Water has long been an extremely serious problem in Gaza. Because of low rainfall and the absence of perennial streams—above and beyond the recent drying up of the wadis mentioned above—Gazans must rely almost completely on the underlying coastal aquifer (which feeds groundwater wells), especially for agriculture. But the coastal aquifer is shared with and controlled by Israel, which withholds water from Gaza in violation of international law.

The aquifer is replenished by 50–60 million cubic meters (MCM) of water annually, but this is far short of the abstraction rate (estimated at 160 MCM each year) required to meet Gaza's basic needs. The result is overpumping by as much as twice the aquifer's yearly sustainable yield. This allows seawater to enter the aquifer and "accelerate natural brackish groundwater inflows from the Negev,"[243] resulting in high salinity levels.[244] The problem is made worse by the unlicensed and unregulated drilling of more than 4,000 agricultural and private wells by Palestinians, most of which appeared during the post-Oslo period when the Palestinian Water Authority (PWA) "was unable/unwilling to control drilling."[245] On a visit to Gaza in the summer of 2012, Martha Myers, then the director of relief and social services for UNRWA, commented on the quality of domestic water: "It's not *like* drinking seawater; it *is* drinking seawater."[246] Between 90–95 percent of Gaza's water is unfit for human consumption, and only 10-25 percent of households have daily access to running water, and for a few hours only.[247]

Agriculture accounts for over 60 percent of Gaza's total water demand, making its future dependent on the quantity and quality of water. Prior to OCL, "some two-thirds of the total cultivated area in Gaza was irrigated."[248] The damage inflicted by OCL, combined with the effects of the blockade, have exacerbated the problems of water quality and supply. For example, Gazan farmers in the buffer zone (and beyond) are increasingly unable to replant their crops because of the contamination and depletion of the water and soil. According to the United Nations Environment Program, "due to the widespread destruction of mature vegetation in Gaza during OCL, young plants may not be able to withstand the high salinity of the water and the agricultural economy of Gaza may indeed be finished."[249]

The coastal aquifer has also been contaminated by decades of (untreated) sewage infiltration—the largest source of groundwater pollution. Due to the insufficiency and breakdown of Gaza's sanitation infrastructure, particularly after OCL, the sewage flow in the Gaza Strip, together with agricultural chemicals (e.g., fertilizer) and other contaminants leaching from waste dumps, have led to elevated levels of nitrates and chlorides in the groundwater and soil. This poses a serious risk to humans and livestock. Since at least 2012 (and possibly before) up to 90,000 cubic meters (CM) of untreated or partially treated sewage have entered the environment and the Mediterranean Sea daily, polluting the aquifer, the fishing waters, and the beaches. This has largely resulted from Israel's blockade (which restricts needed parts, electricity, and fuel), with clear regional implications.[250]

Writing in 2012, Save the Children estimated that in five to ten years there will be no water suitable for human consumption left in the Gaza Strip.[251] The UN predicts that by 2016 the aquifer will most likely be completely unusable, with "the damage irreversible by 2020."[252] Even if abstraction were to end today, it would take decades for the aquifer to recover; if abstraction continues at its current rate, the aquifer will require centuries to restore itself. By 2020,

the PWA expects fresh water demand to reach 260 MCM per year, an increase of around 60 percent over 2012 abstraction levels.[253]

Water and the Implications for Public Health

In 2012, 25 percent of Gaza's wastewater, or 30,000 CM per day, was treated and reused in some form for agricultural purposes, while, as stated above, 90,000 CM (or 23,775,500 U.S. gallons) of raw or partially treated sewage was polluting the environment every day due to the lack of proper treatment facilities. According to EWASH, "Fuel shortages, electricity deficit and lack of construction materials, including spare parts, resulting from Israel's declared policy of "humanitarian minimum," have all contributed to the ongoing sanitation crisis."[254] A 2009 UNICEF and Palestinian Hydrology Group study reported that "concentrations of chloride and nitrate, which is a component in fertilizer and is found in human and animal waste, are as much as ten times the safe levels established by WHO [the World Health Organization]."[255] EWASH similarly argues that most of the Gaza Strip contains groundwater where the nitrate concentration is well above the acceptable WHO level: "90 percent of water wells are contaminated with nitrates between two and eight times higher than WHO standards," and "more than 95 per cent of wells have levels of chlorides exceeding WHO standards."[256] In other words, almost all of Gaza's 117 municipal wells used for drinking water are seriously contaminated by a variety of pollutants.[257]

As a consequence, approximately 83 percent of Gazan households purchase drinking water from both public and private small-scale desalination plants, now common throughout the Strip. There are seven public plants run by the CMWU, which is responsible for water and sanitation services in the Gaza Strip, in addition to at least 40 commercial desalination plants and an estimated 20,000 or more home desalination plants. Desalinated water is expensive, and households spend up to 33 percent of their income on water (and nearly 50 percent on food).[258] It should also be noted that the PWA imports at least 4.7 MCM of water from Israel annually.[259]

The desalination sector, which is dependent on access to spare parts, electricity, and water purification chemicals at times impeded by the blockade, is unregulated; water quality can be poor and a source of waterborne diseases. Save the Children and Medical Aid for Palestinians stated that a "September 2010 assessment found that 1.1 million Gazans in nearly half of Gaza's municipalities are at high risk of consuming biologically contaminated drinking water from private vendors, the source of water for most Gaza residents. Bacteriological contamination (either from poor hygiene in the home or contaminated water) was found in 63% of households sampled."[260] The 17 percent of Gaza households that cannot afford to purchase desalinated water rely on polluted residential and agricultural wells and piped water from the tap, which comes from polluted groundwater sources.[261]

While it is beyond the scope of this introduction to engage in a detailed discussion of desalination as a remedy to Gaza's water shortage, it is important to point out that the desalination agenda is highly controversial. In the words of Ziyaad Lunat, a water specialist:

> The amount of water Israel withholds from Palestinians is sufficient to meet Gaza's water needs many times over. This comes at little cost for Israel, too, having last year [2012] declared a water surplus. Instead of demanding accountability, the PA and the international community have opted to pour money into costly "solutions" which will leave Palestinians even more dependent on Israel. . . . [D]esalination deflects the pressure from Israel and turns the issue of violations of international law into a technical problem, which requires donor investment. Implicit in this desalination agenda is the idea of Gaza as an independent entity, as if Gaza is a country in its own right which solves its water problems from within. Gaza, however, is part of the Occupied Palestinian Territory and it is located in one of the most water rich areas in the region. Its water problems are derived from Israeli control of the aquifers for itself.[262]

According to Save the Children, "The compound problem of Gaza's depleted aquifer, a lack of a proper sewage treatment and disposal system, and the difficulties of providing adequate service-delivery has produced a grave environmental situation with significant health risks."[263] The American Near East Refugee Aid (ANERA) states that 26 percent of disease in Gaza is water-related.[264] WHO argues that the consumption of high levels of nitrates in drinking water has been linked to some cancers and anemia, with infants, children, and pregnant women at particular risk. Although the consequences for infant health may be severe, the issue has not been comprehensively studied. Research from as early as 1998 and 2002 already found a 48-percent prevalence of nitrate poisoning among infants and children.[265] According to the unpublished findings of another international donor agency, "Nowhere else in the world has such a large number of people been exposed to such high levels of nitrates for such a long period of time. There is no precedent, and no studies to help us understand what happens to people over the course of years of nitrate poisoning."[266]

Such a situation cannot continue without dire consequences. According to the UN, there is a desperate need for "large scale seawater desalination plants, completion of strategically placed treatment facilities, construction and rehabilitation of water and sewerage networks, the wholesale availability in homes, schools and health centers of water and sanitation systems, and a regime for the management of solid and medical waste that is able to cater for

the needs of an urban population."[267] Yet, remedial actions in this regard are largely prevented by Israel (enabled by a range of international actors), which continues to impose the blockade. By limiting and preventing the entry of materials needed to repair, maintain, upgrade, and operate Gaza's sewage, wastewater treatment, and storage infrastructure, the system is unable to cope with demand.

The blockade also translates into insufficient fuel and electricity to operate the plants.[268] At least since 2012, some 30 percent of the population suffers electricity cuts even when all electricity lines and generators are functional; when they are not (especially when the power plant is inoperable), the percentages of those without electricity increases, sometimes dramatically. Continuous electricity shortages necessitate the use of generators, which also rely on fuel, the supply of which remains insecure; the result is power outages of 12–14 hours per day.[269] In addition "eight wastewater treatment plants in Gaza are in need of fuel when the electricity is cut off. If fuel is not provided, parts of the city become immersed in wastewater,"[270] which is then channeled into the sea.

On November 1, 2013, Gaza's power plant along with a major sewage treatment station were shut down due to the lack of fuel resulting from Israel's blockade and Egypt's clampdown on the tunnels. More than three weeks later, the power supply was limited to six hours per day, meeting less than half of Gaza's total power needs. The lack of fuel caused dangerous and life-threatening disruptions in sanitation, water, and health care services such as kidney dialysis, blood banks, operating rooms, and intensive care units. By November, Richard Falk, the former UN special rapporteur on Palestinian human rights, reported that "up to 40 per cent of Gaza's population receives water only once every three days. In this situation of dire necessity, those who can afford to do so are, shockingly, buying unsafe water from unregulated water vendors and distributors."[271]

Furthermore, raw sewage has been flooding many of Gaza's streets. During the last half of November 2013, around 3,000 people living in or near al-Zaytun were forced to wade through raw sewage because the area's largest sewage treatment plant had overflowed due to a power failure.[272] Given Gaza's ongoing fuel crisis there is great concern that other sewage treatment plants will similarly break down, precipitating a health crisis that could result in an epidemic.[273]

Under the best of circumstances, relatively speaking, around 30 percent of Gaza's households are not connected to a municipal sewage network because the "Israeli blockade has impeded the entry of equipment that would allow neighborhoods to be connected."[274] These households must use cesspits or open sewage flows that further degrade the environment and contribute to public health hazards; 69 percent of Gaza residents are connected to a sewage network but "much of it is destroyed or in disrepair."[275]

In fact, according to EWASH, "less than 20 percent of the needed materials for essential water/sanitation projects that would alleviate many

of the problems faced in Gaza have been allowed in through the Israeli-controlled crossings, two years after Israel announced the 'easing' of the blockade in June 2010."[276] In 2011, airstrikes "destroyed $1.3m's worth of water and sanitation infrastructure, including a new sewage pumping station connecting 130,000 residents in Nussayrat and al-Boreij to the main sewage system."[277]

It is not unreasonable to assume that water and soil contamination will remain chronic as long at the blockade prevents the importation of essential inputs needed to address the problem; in such circumstances, the contamination problem could become irreversible. Furthermore, according to Youssef Ibrahim, president of the Environmental Quality Authority, even if these problems were solved, the pumping of wastewater into the sea would not stop completely. This is because "the density of Gaza's population has rendered the amounts of wastewater coming from houses and institutions greater than the absorption capacity of the plants."[278]

The State of Gazan Society: Social Decline and Gaza's Functional Unviability

Social decline has many dimensions. This discussion will touch upon two that have particular relevance for Gaza's unviability: the health of the population and the impact of a disabled economy on social attitudes.

Some Issues Related to the Health of the Population

Clearly, the health of Gaza's economy (including access to sufficient food) and of the environment (including overcrowding and inadequate housing) will determine the health and well-being of Gaza's people, and vice versa. For example, it is not surprising that Gaza's worsening economic, public health, and environmental conditions—combined with high fertility rates (4.9 children born/woman) and population growth (3.37 percent)—have resulted in rising malnutrition among Palestinian children under five. Between 2000 and 2010, the prevalence of malnutrition rose by 41.3 percent nationally and by 60 percent in the Gaza Strip.[279] Stunting (low height for age), an indicator of chronic malnutrition, has become increasingly frequent among Gaza's children under five, affecting 9.9 percent of them in 2010,[280] and "is not improving and may be deteriorating,"[281] argued WHO in 2012.

The rate of severe malnutrition, or wasting (low weight for height), doubled for Gaza's children under five between 2000 and 2004, from 2.4 percent to 4.9 percent, respectively. By 2006 the rate had declined to 2.4 percent, but increased to 3.5 percent in 2010.[282] In 2011, nearly 5 percent of Gaza's infants aged 9–12 months suffered from wasting, a slight decline from 6.8 percent a year earlier.[283] Severe and/or chronic malnutrition in young children can also result in irreversible cognitive damage. According to the Palestinian Central

Bureau of Statistics (PCBS), children in Gaza are twice as likely to live in poverty (38.4 percent) as children in the West Bank (19 percent).[284]

Nutritional deficiencies, particularly in vitamins A and D, are high among Gazan children in part because of diarrheal infections linked to the lack of access to clean water. "In addition," states EWASH, "the prevalence of anaemia [due to a dietary iron deficiency] is so high that it indicates a severe public health problem according to the WHO classification system."[285] Between 68–74 percent of infants aged 9–12 months suffer from anemia, as do 59 percent of schoolchildren and 37 percent of pregnant women.[286] According to the WHO, the most serious consequences of anemia include "poor pregnancy outcome, impaired physical and cognitive development, increased risk of morbidity in children and reduced work productivity in adults. Anaemia contributes to 20% of all maternal deaths."[287] In November 2013, one confirmed case of polio was reported in Gaza.[288] A 2012 report issued by Save the Children UK and Medical Aid for Palestinians further states, "Diseases of poverty and conflict combined with a degenerating health care system are claiming growing numbers of Gaza's children."[289]

Given deteriorating environmental conditions combined with the inability to get critically needed health care equipment into Gaza and proper training for Gaza's doctors due to the blockade, there are real concerns among health experts that Gaza's infant mortality rate (the number of infants who die before their first birthday) and neonatal mortality rate (infants who die between birth and four weeks of age) could see increases in the coming years, reversing a decades long pattern of decline in both indicators.

Palestinian and European experts have also noted with concern that the incidence of birth defects, congenital anomalies, miscarriages,[290] and cancer have all increased since OCL. This is likely due not only to soil and water contamination but also to the weaponry used by Israel during OCL. Although this area of research remains inconclusive and highly contentious, one European military analyst revealed that 55 tons of munitions were dropped on the Gaza Strip in three weeks during the 2008–2009 invasion, possibly including munitions made with highly toxic depleted uranium. According to this source, "The deep penetrating munitions used to destroy some tunnels along [Gaza's southern border] were so destructive that part of the city of Rafah began to sink."[291] He later revealed that "witnesses further [stated] that following these attacks, IDF engineers entered the area and replaced the top-soil. Such an action may have been intended to prevent possible depleted uranium–impregnated dust from being carried into the territories of southern Israel by the prevailing westerly winds."[292]

Changing Social Attitudes: Some Emerging Patterns

Interviews with colleagues and friends in Gaza revealed some common themes regarding the ways in which social attitudes have been affected by

Gaza's altered economic reality—attitudes that will impact Gaza's future. There is real concern that professionals and academics, unable to travel abroad for training and higher education, will lose their skills and expertise. According to the Portland Trust, "The longer the situation continues the greater the risk of an irreplaceable loss which could take more than a generation to recover."[293]

Severed from the outside world, the position of women has also weakened in Gaza's increasingly conservative society. One indicator is found in the rising levels of domestic violence. According to the PCBS, 51 percent of all married women reported being abused by their husbands in 2011. Although increasing numbers of women have economic responsibilities outside the home, they remain the primary caretaker of their families. They must therefore confront, on a daily basis, the practical consequences of a terribly compromised reality: lack of access to clean water, nutritious food, medical care, and education; poor housing; and insufficient electricity, among many other problems.[294]

Another prominent concern centers on what happens to a once productive and motivated population now forced into a state of non-productivity and of near-total dependence on humanitarian aid for basic sustenance. This deprivation is deliberate and imposed on a people desperate and able to work. Although some seek creative ways to move forward, many others do not. In the words of analyst Sami Abdel-Shafi,

> Tens of thousands continue to receive a salary from the PA in Ramallah for doing nothing [while] the . . . government in Gaza has been paying other tens of thousands, most of whom have been hired to replace those who were ordered by the PA to stay at home. Hundreds of thousands continue to receive "humanitarian" aid from UNRWA and other donors just to keep their heads above water . . . the rest [have] no one to look out for [them] except private generous citizens and NGOs.
>
> In virtually none of these cases does one see any [attempt to exploit] people's potential to work, produce and earn their living even though people in Gaza are eager to work and produce. All those who intervene in Gaza—PA, local authorities, UN or others—are, in effect, acquiescing to this reality. No one seems to properly . . . challenge the political . . . or economic aspects of internal division and of Israel's successive policies of keeping Gaza alive but constantly needy and isolated . . . unable to earn its own living even though it very well could.[295]

In this regard, not only are Israel and donor governments culpable, but so too are the Palestinian Authority governments in Gaza and the West Bank, whose internal struggle for power—especially over the flow of assistance and

the movement of humanitarian aid workers—further diminishes the possibility of economic reform.

Consequently, Palestinians in Gaza, seeking "economic shelter wherever they can find it,"[296] are not only becoming de-skilled and de-motivated, but are also developing new and nonproductive (and non-useful) habits arising from dependency, weakness, and the need to obtain as much assistance as possible. These distortions derive in part from international programs largely directed to relief assistance and food distribution (their principal goal being to ensure that Palestinians in Gaza do not starve) rather than channeling their aid into productive and development-oriented activities. As such, donor policies are directly contributing to economic and social decline.

The more dependent that people become on external and internal sources of aid, the more fragile and diminished they become. Hasan Zeyada, a psychologist with the Gaza Community Mental Health Program, put it this way: "Aid allows foreign powers to achieve a goal they couldn't even achieve through war."[297] Furthermore, "forty percent of Palestinians are clinically depressed, a rate unmatched anywhere in the word. It's more than triple that of the U.S. [and] ten times higher than in the U.K."[298] Since the beginning of 2013, suicide rates have been increasing in the Gaza Strip (by hanging, immolation, jumping from heights, drug overdose, ingestion of pesticides, and firearms) due in part to deteriorating living conditions. Shifa Hospital, the largest health facility in the territory, reportedly receives up to 30 patients every month who have attempted suicide.[299] In such circumstances, how can this society address future (and rapidly growing) needs in education, healthcare, employment, and housing—to name just a few? The fear is that having been forced into "survival mode," Gazans are losing their self-respect as productive members of society. What then?

Finally, there is a theme that has been constant in my work since it began three decades ago: the assault on human dignity. Some would say that this assault has achieved its ends. Dr. Rajaie Batniji, a Stanford University physician, wrote a powerful essay in the British medical journal the *Lancet* about a trip he made to his family in Gaza: "Gaza is something of a laboratory for observing an absence of dignity." The violations of dignity, he wrote, include "not being seen or being incompletely seen; being subsumed into a group identity; invasion of personal space (including physical violence); and humiliation. . . . The constant surveillance from the sky, collective punishment through blockade and isolation, the intrusion into homes and communications, and restrictions on those trying to travel, or marry, or work make it difficult to live a dignified life in Gaza."[300]

The mental and physical health status of Gazans is further compromised by the stress of living with near-daily Israeli military actions not even to mention the major ones. During the period between February 2009 and August 2012, over 1,000 incidents against Gaza took place, averaging five to six per week. They were generally of four kinds: (1) attacks by aircraft, helicopter

gunships, drones, and tanks throughout Gaza, even in densely populated areas; (2) attacks against fishermen involving the confiscation of or damage to fishing boats and other equipment, as well as the detention and arrest of fishermen; (3) attacks on industrial, farm, and food production facilities and related infrastructure; and (4) IDF ground incursions into Gaza's buffer zone and Gaza proper, usually to level land.[301] Between November 22, 2012 when the Israeli-Hamas cease-fire following OPD was concluded, and March 3, 2013, there were no fewer than 111 incidents of cross-border fire and 37 incidents of naval fire against Gaza, which injured at least 60 Palestinians. In other words, the incursion rate was the same after the cease-fire as it was before.[302]

Batniji further emphasizes that it is not just the Israeli occupation and siege that are at fault, but also the internal Palestinian power struggles, which have "recreated many of the most threatening aspects of the Israeli occupation [including] barriers to movement of people and goods, fear, isolation and torture." To these divisions must be added the exigencies of daily life, which force people to hoard fuel and other necessities and depend disproportionately on foreign assistance to eat. Given all these factors, it is no surprise that "many people on the street now walk with their heads down—whether it is out of fear, isolation, or a loss of dignity . . . intentionally neglect[ing] the destruction that surrounds them."[303]

The words of a 17-year-old boy detained in an Israeli prison capture the essence of life in Gaza: "What it feels like to live here, you ask? It's like being a shadow of your own, caught on the ground, not being able to break out . . . you see yourself lying there, but you cannot fill the shadow with life."[304]

Gaza's Unviable Economy: A Summary Analysis

In June 2012, I received the following email from a Gazan economist: "Gaza is approaching unviability; actually, it is already there. We cannot stand on our own economic feet. We depend on external assistance to meet our needs in all sectors and this will likely not change in the future. This is what it means to be unviable."[305] Shortly thereafter, in August 2012, the UN published a report entitled "Gaza in 2020" that used current data to project the territory's situation a mere eight years in the future. More than anything, the report represents a devastating confirmation of the Strip's profound and seemingly irremediable "unviability."

Among other things, the report estimated that the population of the Gaza Strip—placed at 1.64 million in 2012—will increase by around 500,000 people to reach 2.13 million in 2020 (and 2.76 million by 2028). Half are children, and approximately 70 percent are refugees living in an area of 140 square miles. In just a few years, therefore, Gaza's population density, already at present among the highest in the world, will increase by nearly 30 percent, from 4,505 to 5,835 people per square kilometer (and to 7,562 per square kilometer in 2028).[306]

This dire picture is virtually inevitable unless Gaza regains as soon as possible full access to the outside world in order to benefit from the trade and labor mobility so essential to sustainable economic growth and individual and community well-being. Equally essential if total disaster is to be avoided is the rehabilitation of Gaza's productive sectors (industry and agriculture), now virtually collapsed.[307] According to Oxfam International, "the scale of economic activity remains heavily dependent on local demand in Gaza, which in turn is constrained by the low purchasing power of the population and the relatively small size of the local market."[308] Oxfam International's analysis underlines the critical need of Gaza's small, resource-strapped economy for access to external markets. Yet at least since Israel's unilateral "disengagement" in 2005, the Gaza Strip has been effectively isolated from the rest of the world, making meaningful economic change impossible.

Gaza's isolation is why, for example, the impressive GDP growth witnessed in 2010 and especially 2011 had little sustainable impact on unemployment and poverty. The robust (but short-lived) growth in output and employment in the private sector resulted largely from the tunnel trade and the construction boom described above, as well as from an easing of import restrictions by Israel and foreign assistance.[309] But despite this, the overall level of unemployment and poverty in Gaza remained stubbornly high,[310] characterized among other things by a labor market and an economy still unable to absorb its rapidly increasing young labor force.[311] Thus, the "significant growth in the GDP did not coincide with enhanced capacity for future production and employment" but instead revealed a worrisome imbalance in the economy where service-based activities grew at the expense of productive activities. That is why *per capita* GDP by the end of 2011 stood below its level in 2005 and in 1994.[312]

According to UNRWA, three-quarters of the Gaza growth registered came from private and public sector construction, public sector expansion, hotel and restaurant activities, and commerce.[313] This (together with low levels of productive investment and the weakened competitiveness of Palestinian products in local and international markets resulting from the blockade) reflects a critical shift "over time of economic activity away from tradable, productive sectors," the basis for generating sustainable, long-term production and employment, "towards those sectors that are less affected by [Israeli] restrictions, e.g., public administration and services"—creating a dangerous dependence on salaries for economic growth.[314]

Meanwhile the growth resulting from large-scale infusions of Saudi and Qatari aid should not be confused with a strengthened, diversified, and productive private sector. To the contrary, this growth, including in employment, is limited and temporary. Arguably an aberration, a temporary and illusory palliative that merely conceals and does nothing to address Gaza's unviability, limited economic growth merely reflects the vital role of donor aid in driving the Palestinian economy rather than an economy on a path to recovery.[315] In

any case, this aid has declined and future commitments are subject to regional changes and possible political realignments after the change of regime in Egypt.

Likewise, announced changes in Israeli policy designed to slightly ease restrictions do absolutely nothing to jumpstart viable economic growth and meaningfully improve employment levels, particularly as exports remain prohibited.[316] In this regard, the tenuous increase in fishing area from 3 NM to 6 NM and decreases in buffer zone restrictions (also resulting from the ceasefire deal) will have no appreciable impact on the economy despite a momentary improvement in incomes for individual fishermen and farmers.[317] It is also important to reiterate that these marginal and fluctuating improvements do nothing to restore critically needed access, for people and goods, between Gaza and its primary markets in Israel and the West Bank, and in fact may be designed to mitigate (and distract attention away from) the pressure created in Gaza by Israel's continued denial of access.[318]

Even if these policy changes hold over time (and some have already been retracted), massive sectoral damage and continued vulnerability to Israeli and Egyptian attacks act as major constraints.** The resulting damage has made the Strip's highly underproductive and consumer-driven economy (and that of Palestine's as a whole) acutely and dangerously dependent on foreign aid (including humanitarian aid and public sector and UNRWA employment, both of which are dependent on foreign assistance) and a (now moribund) black market tunnel trade and its attendant distortions, a situation that is unsustainable over the longer-term.

By July 2013, unemployment had reached 34.5 percent[319] (compared to around 22 percent in the West Bank) with "catastrophic consequences for living levels and the extent and depth of poverty."[320] One year later it had risen to 45 percent. By mid-2012 according to UNRWA, unemployment rates in the Gaza Strip and West Bank were "among the highest in the Middle East and North Africa, which have the highest unemployment rates in the world. The CIA *World Fact Book* lists only 14 countries or territories (among 201) as having unemployment rates higher than that of Gaza and only 28 countries or territories with unemployment rates higher than the West Bank."[321] Three decades earlier, unemployment in the occupied territories was below 5 percent.[322]

The implications for young people of ongoing Israeli restrictions, sectoral distortions, decline of the productive sectors and high unemployment are the most alarming. Gaza already has one of the youngest populations in the world, and "the second-highest share of people aged 0 to 14 worldwide."[323] The youth bulge, or the ratio of young people between the ages of 15 and 29 years to the total population over 15, is "exceptionally high, at 53 percent" and will decrease only slightly, to 50 percent, in 2020.[324] The absence of viable em-

** See Afterword.

ployment prospects will clearly bring greater instability, as will Gaza's likely unmet needs in other areas including education, health, water, sanitation, and electricity.

In education, for example, 250 additional schools were needed in 2012 and 190 more will be required by 2020. Furthermore, 85 percent of 677 schools operated double shifts with an average of 36 children in a classroom.[325] Enrollment rates particularly at the secondary school level reveal some extremely serious longer-term problems for Palestinian society. Almost 30 percent—nearly one-third—of all young people 16–17 years of age at the secondary level were out of school in Gaza and the West Bank in 2012.[326] This is a striking and disquieting statistic. The healthcare sector whose infrastructure, like that of education, is in great need of rehabilitation, will require 800 additional hospital beds, over 1,000 doctors, and more than 2,000 additional nurses by 2020 just to maintain 2012 levels of service.[327]

Gaza's profound weakness and unviability are expressed, perhaps most powerfully, in the tunnel phenomenon. The tunnel economy not only demonstrates Gaza's total dependency on, and vulnerability to Israeli policy, but to that of other actors i.e., Egypt in its larger environment. By the spring of 2014, for example, the Hamas government was in severe financial distress, unable even to pay employee salaries with any regularity or predictability due to the loss of taxes from the tunnel trade. These taxes made up a significant percentage of the government budget (which also depended on additional taxes levied on local businesses that used cheap products obtained from the tunnels). Given that two-thirds of the government budget was used to pay salaries, the loss of income from tunnel-based taxes proved devastating, especially in light of Israel's continued blockade and other restrictions and reduced financing from other countries, notably Iran.[328] While restrictions are sometimes eased for certain commodities like fuel, Egypt's policy toward Gaza does not bode well given the new anti-Islamist regime in power. Not surprisingly travel through Rafah has subsequently been restricted to people holding foreign passports and to patients with medical referrals from the Ministry of Health in Gaza.[329] Writing in October 2013, GISHA reported that the restrictions on travel through Rafah were so comprehensive that the Erez crossing "has now become the main gateway into and out of the Gaza Strip, although no significant change in Israel's restrictive policy has taken place."[330]

De-development: Approaching Completion

As described in this introduction, Gaza's functional unviability is a result of many factors, including:

- high population growth rates and onerous restrictions on freedom of movement;

- economic (and political) isolation and the resulting lack of market access, characterized by the virtual destruction of export trade and normal trading patterns;
- low levels of investment in the productive sectors, which have been severely undermined in favor of construction, services, administration, and land speculation;
- a growing dependence on salaries for economic growth;
- chronic and increasing unemployment;
- a disproportionate dependence on foreign aid and informal economic activities, especially the tunnel trade;
- eroding education and health sectors; and
- the deepening public health crises created by the lack of clean water, the continued toxicity of the water and soil, and the possible desertification of Gaza's land. This is the most critical factor for Gaza's economy and society over the longer term.

Gaza has now been under occupation for 47 years and subject to increasingly severe mobility restrictions for 21 consecutive years. It has been virtually severed from its natural and international markets for 8 consecutive years, and dependent on external assistance by key donor states for the PA's recurring budget operations (rather than for development) for 14 consecutive years.[331]

The de-development of the Gaza Strip has arguably reached its logical conclusion with the current, increasingly distorted, reconfiguration of economic activity: foreign aid and smuggling have become the bases of economic growth whenever such growth has briefly occurred. From the beginning of the occupation, Israeli policy sought to acquire the land, not the economic potential contained within it (although that, too, was exploited). Now, even Gaza's potential is being destroyed.

In this book I define de-development as a process that distorts and then forestalls development by "depriving or ridding the economy of its capacity and potential for rational structural transformation [i.e., natural patterns of growth and development] and preventing the emergence of any self-correcting measures."[332] De-development occurs when normal economic relations are broken or disabled, thereby preventing any logical or rational arrangement of the economy or its constituent parts and precluding sustainable growth. This is why, despite billions of dollars in aid ($18.4 billion between 2003 and 2012 alone[333]), the Palestinian economy, especially Gaza's, is failing. Thus, as I noted in earlier editions of this book:

> Unlike underdevelopment, some of whose features it possesses, de-development precludes, over the long term, the possibility of dependent development and its two primary features—the development of productive capacity, which would allow

> for capital accumulation (particularly in the modern industrial sector); and the formation of vital and sustainable political and economic alliances between the dependent and dominant economies and the dependent economy and the international financial system generally.[334]

In effect, de-development describes the systematic dismantling of a normal economy and its rational functioning. This is what has occurred in the Gaza Strip.

Consequently, Gaza is no longer considered an integral part of Palestine (sometimes excluded from projections for Palestine as a whole), eliminating any possibility of a larger Palestinian economy capable of sustained growth and development—in other words, an economy that could support a sovereign Palestinian state and stand on its own. The result, as Meron Benvenisti said years ago, would be a state shaped by Israel's conception of what it should be: a state that is "limited to the height of its residential buildings and the depth of its graves."[335] Debilitating Gaza's economy—i.e., ensuring its continued containment and informalization (as part of Israel's policy of assault) and removing Gaza as a viable and normal economic and political actor—is the key to debilitating Palestine's economy as a whole.

Gaza's future viability depends on sustainable economic growth and an ability to interact normally with the world. This in turn is predicated on several factors, first among them an end to Israeli occupation. Other prerequisites include: an end to the Israeli blockade in all its dimensions and substantial investment in productive capacity; access to regional and international trade (especially with Israel and the West Bank);[336] the free movement of people (e.g., labor force, foreign investors, academics) beyond Gaza; internal political reconciliation and an end to the separation of the territories, which obstructs economic cohesion (raising costs and limiting investment); improved educational and health services; and shifting international aid priorities from relief to development as part of a national (reconstruction) plan. Most critically, change also depends on the willingness of international donors to politically and economically challenge Israeli policy, which they have consistently failed to do.

One such challenge was finally attempted in July 2013 when the EU issued a directive to its 28 member states prohibiting "any funding, cooperation, awarding of scholarships, research funds or prizes" to any Israeli entity residing in the West Bank, East Jerusalem, the Gaza Strip, and the Golan Heights.[337] In so doing, the EU was enforcing, in an official and tangible manner, its longstanding policy rejecting Israel's sovereign claims over those territories while reaffirming that it "does not consider them to be part of Israel's territory, irrespective of their legal status under domestic Israeli law."[338] As such, the EU also affirmed the illegality of Israeli settlements under international law. The practical impact of the EU directive has been limited but its symbolic importance, politically, should not be underestimated.

The late Palestinian economist Yusif Sayigh argued long ago that socioeconomic development is an inherent Palestinian right, not a solution to long-term occupation. The only solution to occupation, he concluded, is liberation.[339]

Gaza's Star of David: A Concluding Reflection

In 1956, Moshe Dayan, then Israel's chief of staff, delivered a famous eulogy for Ro'i Rutenberg, who lived on the Nahal Oz kibbutz and was killed in an ambush by Palestinians from Gaza. It included the following (emphases mine):

> Early yesterday morning Ro'i was murdered. The quiet of the spring morning dazzled him and he did not see those waiting in ambush for him, at the edge of the furrow. Let us not cast the blame on the murderers today. Why should we declare their burning hatred for us? For eight years they have been sitting in the refugee camps in Gaza, and before their eyes we have been transforming the lands and the villages, where they and their fathers dwelt, into our estate. It is not among the Arabs

Satellite Image: Operation Cast Lead, Gaza, December 2008–January 2009.
(United Nations Operational Satellite Applications Programme)

> in Gaza, but in our own midst that we must seek Ro'i's blood. How did we shut our eyes and refuse to look squarely at our fate, and see, in all its brutality, the destiny of our generation? Have we forgotten that this group of young people dwelling at Nahal Oz is *bearing the heavy gates of Gaza* on its shoulders? Beyond the furrow of the border, a sea of hatred and desire for revenge is swelling, awaiting the day when serenity will dull our path, for the day when we will heed the ambassadors of malevolent hypocrisy who call upon us to lay down our arms.
>
> Ro'i's blood is crying out to us and only to us from his torn body. . . . *We will make our reckoning with ourselves today; we are a generation that settles the land and without the steel helmet and the cannon's maw, we will not be able to plant a tree and build a home*. Let us not be deterred from seeing the loathing that is inflaming and filling the lives of the hundreds of thousands of Arabs who live around us. Let us not avert our eyes lest our arms weaken. This is the fate of our generation. This is our life's choice—to be prepared and armed, strong and determined, lest the sword be stricken from our fist and our lives cut down. The young Ro'i who left Tel Aviv *to build his home at the gates of Gaza to be a wall for us* was blinded by the light in his heart and he did not see the flash of the sword. The yearning for peace deafened his ears and he did not hear the voice of murder waiting in ambush. The gates of Gaza weighed too heavily on his shoulders and overcame him.[340]

Through his powerful words, Dayan showed that although he was able to understand both the suffering and hostility of the Palestinians, he clearly believed that however painful it is, Israel must do whatever is necessary to maintain control over the land. Yet "bearing the heavy gates of Gaza" and building a home for the Jewish people "at the gates of Gaza to be a wall" have assumed dimensions that perhaps Dayan himself could not have envisioned.

Palestinians in the Gaza Strip are trapped in what Professor Shalhoub-Kevorkian terms "a zone of non-existence." In this zone, she argues, one finds "new spaces of obscenity in the politics of day-to-day lives," spaces where engaging in normal, everyday acts of living and working—going to school, visiting neighbors, traveling abroad, planting a tree, growing vegetables and selling them in a nearby market—are treated as criminal activities, resulting in some instances in death.[341] In these "obscene spaces," innocent human beings, most of them young, are slowly being poisoned by the water they drink and likely by the soil in which they plant, all with the knowledge and acquiescence of the world community.

For me, as a Jew, this disfigurement of everyday life is painfully symbolized in the Star of David that was gouged into Gaza's soil during Israel's 2008 war on the territory. The desecration of the land in this manner not only points

to the destruction of a way of life and means of survival for Palestinians, it embodies the limitations of Israeli power and the failings of Jewish life as well. No doubt those who branded the Star of David upon Gaza's land meant to convey the presence and the power of the Jewish state over the destiny of others. Yet this power is one of deprivation and humiliation, and it speaks profoundly to our own inability to live a life without the walls that Ro'i Rutenberg was tasked to build so long ago.

As this introduction has hopefully shown, the people of Gaza are being deliberately targeted; a crime against them is being committed. More than anything, this crime can be seen in the daily and unrelenting assault on Gaza's economy and society for which the United States, the European Union, and various Arab states bear enormous responsibility together with Israel. Whether you deliberately shoot a human being through the heart with a bullet or deprive him of a home, livelihood, and the means to care for his children, you are telling that human being that he has no right to exist (in the sense that Dr. Martin Luther King Jr. used the term). In this way among others, Gaza speaks to the unnaturalness of our own condition as Jews. For in Gaza, we seek remedy and consolation in the ruin of another people, "observing the windows of [their] houses through the sites of rifles"—to borrow from the Israeli poet Almog Behar.[342] It is ironic, then, that our own salvation now lies in Gaza's. And no degree of separation, disavowal, or denial can change that.

Notes to Introduction of Third Edition:

1. See Yousef Munayyer, "Levy Is Right," *Newsweek/Daily Beast*, July 13, 2012, online at http://www.thedailybeast.com/articles/2012/07/13/levy-is-right.html. Also see Shir Hever, *The Political Economy of Israel's Occupation* (London: Pluto Press, 2010).

2. Sam Bahour, "Economic Prison Zones," *Middle East Research and Information Project*, November 19, 2010, online at http://www.merip.org/mero/mero111910.

3. Gershon Baskin, "Encountering Peace: Despite It All, Economic Peace," *Jerusalem Post,* November 14, 2011, online at http://www.jpost.com/Opinion/Columnists/Encountering-Peace-Despite-it-all-economic-peace. For other examples of this argument, see Thomas L. Friedman, "Green Shoots in Palestine," *New York Times*, August 5, 2009; and Thomas L. Friedman, "Green Shoots in Palestine II," *New York Times*, August 8, 2009. For a critique of this argument, see Bahour, "Economic Prison Zones."

4. Rami G. Khouri, "Development with Sovereignty," *Agence Global*, April 12, 2013, online at http://belfercenter.hks.harvard.edu/publication/22976/development_with_sovereignty.html?breadcrumb=%2F. Also see, "In an Exchange with Gaza for the First Time in 7 Years: The U.S. Consul General in Jerusalem Michael Ratney: 'Our Commitment to the Economic Well-being of Gaza is a Central Part of U.S. Policy,'" *Pal-Think*, April 15, 2013, online at http://www.palthink.org/en/?p=1034.

5. Raja Khalidi, "After the Arab Spring in Palestine: Contesting the Neoliberal Narrative of Palestinian National Liberation," *Jadaliyya*, March 23, 2012, online at http://www.jadaliyya.com/pages/index/4789/after-the-arab-spring-in-palestine_contesting-the-.

6. Tanya Reinhart, "Always the Victim: Israel's Present Wars," *State of Nature*, September–October 2006, online at http://www.stateofnature.org/alwaysTheVictim.html. Also see Tanya Reinhart, *Israel/Palestine: How to End the War of 1948*, 2d ed. (New York: Seven Stories Press, 2005). This very process began with Hamas's strengthening external relations and rising regional standing in year before the July 2013 Egyptian military coup.

7. Ari Shavit, "The Big Freeze," *Ha'Aretz*, October 7, 2004, online at http://www.haaretz.com/the-big-freeze-1.136713. Also see Juan Cole, "The Jailer," *Salon.com*, January 12, 2006, online at http://www.salon.com/2006/01/12/Sharon_25. Weisglass later repudiated this statement.

8. Interview, legal advisor to the Palestinian Authority, London, 2006.

9. Indeed, the number of new settlers in the West Bank in 2005—15,800—exceeded those evacuated from Gaza (and the Jenin area) as a part of the disengagement—8,475—by almost a factor of two. Alain Gresh, "Palestine: The Forgotten Reality," *Le Monde Diplomatique*, December 2005, online at https://www.globalpolicy.org/security-council/index-of-countries-on-the-security-council-agenda/israel-palestine-and-the-occupied-territories/38326.html.

10. Shlomo Ben-Ami, "Internationalizing the Solution: Multilateralism and International Legitimacy," *Palestine-Israel Journal of Politics, Economics and Culture* 13, No. 4 (2007), pp. 9–14.

11. Elaine C. Hagopian, "It's Not Hamas Terror Israel Fears," *Counterpunch*, May 22, 2006, online at http://www.counterpunch.org/2006/05/22/it-s-not-hamas-terror-israel-fears/. Originally published as "The 1988 Compromise Revisited: It's Not Hamas Terror Israel Fears," *Miftah*, May 23, 2006, online at: http://www.miftah.org/display.cfm?DocId=10314&CategoryId=5. In this regard, see Jonathan Cook, "'Israel's Demographic Demon' in Court," *Middle East Report Online*, June 1, 2006, online at http://www.merip.org/mero/mero060106.

12. Amira Hass, "An Israeli Achievement," *Bitterlemons.org*, April 20, 2009, online at http://www.bitterlemons.org/previous/bl200409ed15.html#isr2. Also see GISHA, *New Procedure—Israel Bars Palestinians in Gaza from Moving to West Bank* (Tel Aviv: Legal Center for Freedom of Movement, June 2009), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1117.

13. GISHA, *What Is the "Separation Policy"?* (Tel Aviv: Legal Center for Freedom of Movement, June 2012), pp. 3–4, online at http://www.gisha.org/UserFiles/File/publications/Bidul/bidul-infosheet-ENG.pdf.

14. Sara Roy, "Reconfiguring Palestine: A Way Forward?" in Antony Loewenstein and Ahmed Moor, eds., *After Zionism: One State for Israel and Palestine* (London: Saqi Books, 2012). In this way, the fundamental problem confronting Palestinians is not Hamas but a divided, internally hostile entity that cannot possibly emerge as a viable state without reengaging Gaza. Also see Jean-Pierre Filiu, *Gaza: A History* (New York: Oxford University Press, 2014).

15. A detailed discussion of paradigm shifts can be found in Sara Roy, "Reconceptualizing the Israeli-Palestinian Conflict: Key Paradigm Shifts," *Journal of Palestine Studies* 41, no. 3 (Spring 2012), pp. 71–91; and Sara Roy, "Before Gaza, After Gaza: Examining the New Reality in Israel/Palestine," in Rochelle Davis and Mimi Kirk, eds., *Palestine and Palestinians in the 21st Century* (Bloomington: Indiana University Press, 2013). This section of the introduction is drawn from this JPS article. Reprinted with permission.

16. According to a November 2010 internal donor document (which I cannot identify): "donors are indirectly not following universally accepted humanitarian principles and by [their] inaction allow for the continuation of illegal policies to take place." Also see Martha Myers, "Negative Impact of Policy on Humanitarian Assistance in Gaza," *Middle East Policy* 16, no. 2 (Summer 2009), pp. 116–21. With regard to the impact of Israel's siege on Gaza and its impact on the delivery of humanitarian assistance Myers states (p. 117), "The policy has not been meaningfully challenged by the international community, which continues to fund the huge transactional costs the Israeli siege imposes on assistance delivery. The donors set up mechanisms to meet the Israelis on their own terms, tacitly legitimizing a policy that contravenes international conventions and law."

17. These figures include East Jerusalem. See Oxfam International, *20 Facts: 20 Years Since the Oslo Accords, Factsheet*, 2013, online at http://www.oxfam.org/sites/www.oxfam.org/files/oxfam-oslo-20-factsheet.pdf. Also see Harriet Sherwood, "Population of Jewish Settlements in West Bank up 15,000 in a Year," *Guardian*, July 26, 2012, online at http://www.guardian.co.uk/world/2012/jul/26/jewish-population-west-bank-up. Also see Dani Dayan, "Israel's Settlers Are Here to Stay," *New York Times*, July 25, 2012.

18. Shosh Mula, "Study: Settlements Worth $18.8 Billion," *YNetnews.com*, May 27, 2011, online at http://www.ynetnews.com/articles/0,7340,L-4074668,00.html.

19. Jeff Halper, "You Can't Get There from Here," *Counterpunch*, February 21, 2012, online at http://www.counterpunch.org/2012/02/21/you-cant-get-there-from-here. Originally published as "The Obfuscation of the Two-State Solution: You Can't Get There from Here," *Occupied Palestine*, February 21, 2012, online at: https://occupiedpalestine.wordpress.com/2012/02/21/the-obfuscation-of-the-two-state-solution-you-cant-get-there-from-here-by-jeff-halper/?utm_medium=OP&utm_source=Ocuppiedpalestine. In this regard see Nathan Thrall, "The Third Intifada Is Inevitable," *New York Times*, June 22, 2012.

20. Alon Liel, "For Israelis, Palestinian Oppression Is Out of Sight and Out of Mind," *Guardian*, June 27, 2012, online at http://www.guardian.co.uk/commentisfree/2012/jun/27/made-in-israel-erasing-green-line.

21. "In September 2007, Israel's Security Cabinet approved a decision that openly called for restricting the movement of people and goods into and out of Gaza as a response to Qassam rockets being fired on civilian targets in southern Israel." GISHA, *Gaza Closure Defined: Collective Punishment* (Tel Aviv: Legal Center for Freedom of Movement, December 2008), p. 2, online at http://www.gisha.org/userfiles/File/publications/GazaClosureDefinedEng.pdf.

22. GISHA, *Scale of Control: Israel's Continued Responsibility in the Gaza Strip* (Tel Aviv: Legal Center for Freedom of Movement, November 2011), p. 9, online at http://gisha.org/UserFiles/File/scaleofcontrol/scaleofcontrol_en.pdf. GISHA, among other NGOs, has challenged Israel's position regarding its post-disengagement relationship with Gaza. Israel remains the occupier because it maintains effective control of the Strip through control of Gaza's airspace and territorial waters; borders, i.e., passage of goods and people to and from Gaza; population registry; telecommunications networks; and collection of customs and value added tax for imports into the Gaza Strip. It also controls Gaza's infrastructure through its control over the supply of electricity and other inputs. Furthermore, under the terms of the revised disengagement plan of June 6, 2004 (Article 6), Israel can prevent the PA from reopening its airport or building a seaport. See PASSIA, *Gaza* (Jerusalem: June 2008), p. 6, online at http://www.passia.org/publications/bulletins/gaza/GAZA.pdf. Legal scholar George Bisharat further specifies, "Since 2001 Israeli military lawyers have pushed to reclassify military operations in the West Bank and Gaza Strip from the law enforcement model mandated by the law of occupation to one of armed conflict. . . . Today most observers—including Amnesty International—tacitly accept Israel's framing of the conflict in Gaza as an armed conflict, as their criticism of Israel's actions in terms

of the duties of distinction and the principle of proportionality betrays. This shift, if accepted, would encourage occupiers to follow Israel's lead, externalizing military control while shedding all responsibilities to occupied populations." George Bisharat, "Changing Rules of War," *San Francisco Chronicle*, April 1, 2009, online at http://www.sfgate.com/cgi-bin/article.cgi?f=/c/a/2009/03/31/EDKP16PF6S.DTL.

23. Palestinian Centre for Human Rights (PCHR), *5 Years and Counting: International Organizations and Donors Continue to Fund Israel's Illegal Closure on the Gaza Strip*, June 13, 2012, p. 7 (para. 19), online at http://www.pchrgaza.org/files/2012/closure report13-6.pdf. The Israeli government subsequently renounced the policy of "economic warfare" in favor of "separation," which continues to be a political (rather than a security) decision producing the same effect. As a senior Israeli security official commented in August 2012, "We still want there to be a discrepancy between economic life in Gaza and the West Bank, but we no longer feel it needs to be so large." See International Crisis Group (ICG), *Light at the End of Their Tunnels? Hamas and the Arab Uprisings*, Middle East Report No. 129 (Gaza City/Cairo/Jerusalem/Ramallah/Brussels: August 14, 2012), p. 38, note 283, online at http://www.crisisgroup.org/~/media/Files/Middle%20East%20North%20Africa/Israel%20Palestine/129-light-at-the-end-of-their-tunnels-hamas-and-the-arab-uprisings.pdf. Thus, normal trade (upon which Gaza's tiny economy is desperately dependent) continues to be thwarted and prohibited despite the June 2010 easing of restrictions on certain imports (which has again turned Gaza into a repository for Israeli exports) and exports.

24. GISHA, *Restrictions on the Transfer of Goods to Gaza: Obstruction and Obfuscation* (Tel Aviv: Legal Center for Freedom of Movement, January 2010), online at http://www.gisha.org/item.asp?lang_id=en&p_id=554; GISHA, *Briefing: Israeli High Court Decision Authorizing Fuel and Electricity Cuts to Gaza (HCJ 9132/07, issued January 30, 2008)* (Tel Aviv: Legal Center for Freedom of Movement, January 31, 2008), online at http://www.gisha.org/UserFiles/File/publications/Gisha-Preliminary-Analysis-Fuel-Electricity-Decision.pdf; and GISHA, *What Is the "Separation Policy"?* p. 1. However, security concerns remain present, as seen in the June 2010 policy easing restrictions on a variety of consumer items and raw materials except those defined as dual-use (i.e., items that have a civilian and military function). Also see GISHA, *First Time in 5 Years: Goods Sold from Gaza to West Bank* (Tel Aviv: Legal Center for Freedom of Movement, March 5, 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1535.

25. Raji Sourani and Eyad Sarraj, "Despite Swap, Gazans Remain Imprisoned," *al-Jazeera*, October 24, 2011, online at http://www.aljazeera.com/indepth/opinion/2011/10/20111021103340280648.html.

26. Phoebe Greenwood, "EU Move to Upgrade Relations with Israel," *Guardian*, July 22, 2012, online at http://www.guardian.co.uk/world/2012/jul/23/israel-eu. Also see APRODEV et al., *Trading Away Peace: How Europe Helps Sustain Illegal Israeli Settlements* (October 2012), online at http://www.fidh.org/en/north-africa-middle-east/israel-occupied-palestinian-territories/Trading-Away-Peace-How-Europe-12343.

27. This is strikingly seen in a July 2012 report issued by the Levy Committee, which was formed by Prime Minister Netanyahu and headed by former Court vice

president, Edmond Levy. The report rejects the claim that Israel is an occupying power and instead "recommends a fundamental change in the legal regime in the West Bank, including the annulment of a long list of laws, High Court of Justice Rulings and procedures in order to permit Jews to settle in all of Judea and Samaria." Chaim Levinson and Tomer Zarchin, "Netanyahu-appointed Panel: Israel Isn't an Occupying Force in West Bank," *Ha'Aretz*, July 9, 2012, online at http://www.haaretz.com/news/diplomacy-defense/netanyahu-appointed-panel-israel-isn-t-an-occupying-force-in-west-bank-1.449895. Also see, al-Haq, *State Responsibility in Connection with Israel's Illegal Settlement Enterprise in the Occupied Palestinian Territory*, Ref. No. 151/2012 (Ramallah: July 16, 2012), online at http://www.alhaq.org/images/stories/PDF/2012/Legal_Memo_State_Responsibility_FINAL_16_07.pdf.

28. According to the World Bank, "The importance of [foreign] aid [to the Palestinian economy] cannot be overstated and by 2008 current transfers had risen to about US$3.4 billion, double what they were in 2006." World Bank, *Towards Economic Sustainability of a Future Palestinian State: Promoting Private Sector–Led Growth (West Bank and Gaza)* (Washington, DC: April 2012), p. iii, online at http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/GrowthStudyEng.pdf.

29. Reuters, "WikiLeaks: Israel Aimed To Keep Gaza Economy on the Brink of Collapse," *Ha'Aretz*, January 5, 2011, online at http://www.haaretz.com/misc/article-print-page/wikileaks-israel-aimed-to-keep-gaza-economy-on-brink-of-collapse-1.335354.

30. GISHA, *Frequently Asked Questions: Restrictions on Passage of Goods Into and Out of Gaza* (Tel Aviv: Legal Center for Freedom of Movement, June 2010), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1109.

31. Oxfam International, Amnesty International UK et al., *Failing Gaza: No Rebuilding, No Recovery, No More Excuses—A Report One Year after Operation Cast Lead* (December 2009), p. 13, online at https://www.oxfam.org/sites/www.oxfam.org/files/failing-gaza-no%20rebuilding-no-recovery-no-more-excuses.pdf. Olmert made this statement in an address to the Conference of Presidents of Major American Jewish Organizations on February 15, 2009, immediately after OCL.

32. Sara Roy, *Hamas and Civil Society in Gaza: Engaging the Islamist Social Sector* (Princeton, NJ: Princeton University Press, 2011, 2014), p. 227. Original source: Norman G. Finkelstein, *"This Time We Went Too Far": Truth and Consequences of the Gaza Invasion* (New York: OR Books, 2011), pp. 60–61, 63, 70. Also see Norman G. Finkelstein, *Method and Madness: The Hidden Story of Israel's Assaults on Gaza* (New York: OR Books, 2014).

33. Finkelstein, *This Time We Went Too Far*, p. 63. According to the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), OCL imposed well over $250 million in cost, destroying vital agricultural assets among other damages. Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), *Gaza in 2020: A Liveable Place?* August 2012, p. 4, online at http://www.unrwa.org/userfiles/file/publications/gaza/Gaza%20in%202020.pdf.

34. Amira Hass, "Israel Releases Papers Detailing Formula of Gaza Blockade," *Ha'Aretz*, October 26, 2010, online at http://www.haaretz.com/print-edition/news/israel-releases-papers-detailing-formula-of-gaza-blockade-1.321154; and http://www.envirosagainstwar.org/know/read.php?itemid=10218.

35. GISHA, *A Guide to the Gaza Closure: In Israel's Own Words* (Tel Aviv: Legal Center for Freedom of Movement, September 2011), online at http://www.gisha.org/UserFiles/File/publications/gisha_closure/gisha_brief_docs_eng_sep_2011.pdf.

36. GISHA, *A Guide to the Gaza Closure*.

37. B'Tselem, *B'Tselem's Findings: Harm to Civilians Significantly Higher in Second Half of Operation Pillar of Defense, Press Release* (Jerusalem: Israeli Information Center for Human Rights in the Occupied Territories, May 8, 2013), online at http://www.btselem.org/press_releases/20130509_pillar_of_defense_report.

38. Palestinian Centre for Human Rights (PCHR), *One Year Following the Israeli Offensive on Gaza: Justice for Palestinian Victims Still Denied*, November 13, 2013, online at http://www.pchrgaza.org/portal/en/index.php?option=com_content&view=article&id=9896.

39. Karen Abu Zayd, "Palestine Refugees: Exile, Isolation and Prospects," Edward Said Lecture, Princeton University, Princeton, NJ, May 6, 2008.

40. Darryl Li, "From Prison to Zoo: Israel's 'Humanitarian' Control of Gaza," *Adalah's Newsletter* 44 (January 2008), online at http://www.adalah.org/uploads/oldfiles/Public/files/English/Publications/Articles/Prison-Zoo-Israel-Humanitarian-Control-Gaza-Darryl-Li.pdf. Also see: *HCJ 9132/07, Jaber al-Basyouni Ahmed v. The Prime Minister*, online at http://elyon1.court.gov.il/Files_ENG/07/320/091/n25/07091320.n25.pdf; and Alex Kane, "Israeli Airstrikes Destroy Dairy Factory for the Fourth Time in Three Years," *Mondoweiss.net*, June 4, 2012, online at http://www.mondoweiss.net/2012/06/israeli-airstrikes-destroy-dairy-factory-for-the-fourth-time-in-three-years.html. Also see the World Bank, *Palestinian Economic Prospects: Aid, Access, and Reform* (Washington, DC: September 22, 2008), online at http://domino.un.org/pdfs/AHLC_WBrepSept08.pdf; and Sara Roy, "Gaza: Treading on Shards," *Nation*, February 17, 2010, online at http://www.thenation.com/article/gaza-treading-shards.

41. Li, "From Prison to Zoo."

42. Li, "From Prison to Zoo;" and Darryl Li, "Disengagement and the Frontiers of Zionism," *Middle East Report*, February 16, 2008, online at http://www.merip.org/mero/mero021608.

43. Li, "From Prison to Zoo."

44. Al-Mezan Center for Human Rights, *Al-Mezan Condemns Destruction and Removal of al-Muntar Crossing and Views This Step as Entrenchment of Siege* (Gaza City: January 1, 2012), online at http://www.mezan.org/en/post/13227; United Nations

Relief and Works Agency (UNRWA), *Deputy Commissioner-General Statement on the 2012 Emergency Appeal*, January 17, 2012, online at http://www.unrwa.org/etemplate.php?id=1226. Also see Gabe Kahn, "PA Condemns Karni Crossing Destruction," *Arutz Sheva*, January 4, 2012, online at http://www.israelnationalnews.com/News/News.aspx/151409. See note 118. The destruction of Karni may also be an attempt by Israel to force Gaza's economy further into the Egyptian orbit, which Egypt has long resisted.

45. See, for example, Dalia Hatuqa, "Israel Restricts Jordan Valley Water Access," *al-Jazeera*, July 28, 2012, online at http://www.aljazeera.com/indepth/features/2012/07/20127259518330800.html; and Mohammed Mari'i, "EU Gives 10m Euros to Poor Palestinian Families," *Saudi Gazette*, September 29, 2013, online at http://www.saudigazette.com.sa/index.cfm?method=home.regcon&contentid=20130929181950. Also see Ilana Feldman, "Gaza's Humanitarianism Problem," *Journal of Palestine Studies* 38, no. 3 (Spring 2009), pp. 22–37.

46. Li, "From Prison to Zoo."

47. Li, "From Prison to Zoo."

48. World Bank, *Palestinian Economic Prospects: Gaza Recovery and West Bank Revival—Economic Monitoring Report to the Ad Hoc Liaison Committee* (Washington, DC: June 8, 2009), p. 6, online at http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/AHLCJune09Reportfinal.pdf.

49. World Bank, *Coping with Conflict: Poverty and Inclusion in the West Bank and Gaza* (Gaza and Washington, DC: July 29, 2011), p. 1, online at https://siteresources.worldbank.org/INTMENA/Resources/Poverty_and_Inclusion_in_the_West_Bank_and_Gaza_Chapter1.pdf.

50. See Roy, "Gaza: Treading on Shards."

51. Cited in GISHA, "Damage to Trade between the Gaza Strip and the West Bank as a Result of the Separation Policy," *Information Sheet* (Tel Aviv: Legal Center for Freedom of Movement, May 2010), p. 6, online at http://www.gisha.org/UserFiles/File/safepassage/InfoSheets/English/trade.pdf. Original source: World Bank, *An Analysis of the Economic Restrictions Confronting the West Bank and Gaza* (September 2008).

52. World Bank, *Fiscal Crisis, Economic Prospects: The Imperative of Economic Cohesion in the Palestinian Territories—Economic Monitoring Report to the Ad Hoc Liaison Committee* (New York: September 23, 2012), pp. 11–12, online at https://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/AHLCReportFinal.pdf. Between March 2010 and September 2012, the Government of Israel approved $403 million of UN project work in Gaza (for housing, schools and infrastructure that included some dual use materials) that depends on donor funding. Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), *Palestinian State-Building at Stake: Preserving the Two-State Solution* (New York: September 23, 2012), p. vi, online at http://www.ldf.ps/documentsShow.aspx?ATT_ID=6299.

53. GISHA, *Gaza Export Season: Negligible Numbers, Distant Markets* (Tel Aviv: Legal Center for Freedom of Movement, November 27, 2011), online at http://www.gisha.

org/item.asp?lang_id=en&p_id=1455. Also see International Monetary Fund (IMF), *Recent Experience and Prospects of the Economy of the West Bank and Gaza: Staff Report Prepared for the Meeting of the Ad Hoc Liaison Committee* (New York: September 23, 2012), pp. 37–38, online at https://www.imf.org/external/country/WBG/RR/2012/091912.pdf. One such order was subsequently approved and others were being considered.

54. GISHA, *Gaza Export Season.*

55. GISHA, *Gaza Export Season*; and GISHA, *What Is the "Separation Policy"?* pp. 3–5.

56. GISHA, *What Is the "Separation Policy"?* p. 4.

57. GISHA, *What Is the "Separation Policy"?* p. 4.

58. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children: Falling Behind—The Effect of the Blockade on Child Health in Gaza* (London: June 2012), p. 16, online at http://www.savethechildren.org.uk/sites/default/files/docs/Gazas-Children-Falling-Behind.pdf.

59. Manufacturing in Gaza consists of the following sectors: garments, wood and furniture, metal and engineering, plastics, food and beverage, chemical/cosmetic, paper and packaging, textiles, leather and handicrafts. Portland Trust, *The Private Sector in Gaza* (December 2010), p. 3, online at http://www.portlandtrust.org/sites/default/files/peb/feature_gaza_dec_2010.pdf.

60. United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA). *Locked In: The Humanitarian Impact of Two Years of Blockade on the Gaza Strip*, August 2009, pp. 5–6, online at http://www.ochaopt.org/documents/ocha_opt_gaza_impact_of_two_years_of_blockade_august_2009_english.pdf; World Bank, *West Bank and Gaza: Area C and the Future of the Palestinian Economy*, October 2, 2013, p. 3 note 8, online at https://openknowledge.worldbank.org/bitstream/handle/10986/16686/AUS29220REPLAC0EVISION0January02014.pdf?sequence=1; World Bank, *Palestinian Economic Prospects: Aid, Access and Reform*, p. 22; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Easing the Blockade: Assessing the Humanitarian Impact on the Population of the Gaza Strip*, March 2011, p. 6, online at http://www.ochaopt.org/documents/ocha_opt_special_easing_the_blockade_2011_03_english.pdf.

61. Portland Trust, *The Private Sector in Gaza* (December 2010), pp. 1–2.

62. Amira Hass, "Israel Bans Books, Music and Clothes from Entering Gaza," *Ha'Aretz*, May 17, 2009, online at http://www.haaretz.com/print-edition/news/amira-hass-israel-bans-books-music-and-clothes-from-entering-gaza-1.276147; and Omar Shaban, "Gaza Blockade!! How Much Does It Cost?" *Pal-Think*, July 1, 2012, online at http://www.palthink.org/en/?p=617.

63. The World Bank reported a loss of 99 percent (23 out of 3,900 enterprises remained functioning) in 2008 (see World Bank, *Palestinian Economic Prospects: Aid,*

Access and Reform, pp. 7, 22); in 2010, I cite a revised figure of 3,750 enterprises (Roy, "Gaza: Treading on Shards") and OCHA, *Locked In*, p. 6. Other sources claim 80 percent of enterprises were closed.

64. World Bank, *Palestinian Economic Prospects: Aid, Access and Reform*, pp. 7, 22; Roy, "Gaza: Treading on Shards."

65. Martha Myers, the former country director for CARE in the West Bank and Gaza, further points out, "No real muscle, however, has been put into insisting that Israel adhere to the principles and protocols of the 2005 Agreement on Access and Movement." Myers, "Negative Impact of Policy," p. 119.

66. GISHA (*What Is the "Separation Policy"?* p. 5) asks: "The Kerem Shalom Crossing is undergoing renovations at an estimated cost of tens of million of shekels for the purpose of allowing export of goods from Gaza to Europe. The new facilities will include comprehensive security and phytosanitary inspection capabilities. Considering the potential for marketing goods to Israel and the West Bank and its importance for economic recovery in the Gaza Strip, is it not possible to use these facilities to expand the more profitable sale of goods to Israel and the West Bank?"

67. See GISHA, *Gaza Export Season: Negligible Numbers, Distant Markets* (Tel Aviv: Legal Center for Freedom of Movement, November 27, 2011), online at http://gisha.org/press/1168; GISHA, *Export from Gaza: Frequently Asked Questions* (Tel Aviv: Legal Center for Freedom of Movement, May 10, 2012), online at http://www.gazagateway.org/2012/05/export-from-gaza-frequently-asked-questions. The Palestinian Agricultural Relief Committee (PARC) provides a different way of looking at the impact of the export ban. Prior to 2007, farmers planted 1,000 dunums (approximately 250 acres) of carnations and 3,000 dunums (750 acres) of strawberries. By 2011 farmers could only support 187 dunums of carnations and 350 dunums of strawberries, declines of 81 percent and 88 percent respectively. See Palestinian Centre for Human Rights (PCHR), *Occupied Lives: Closure of Gaza's Agricultural Industry*, June 14, 2012, online at http://www.pchrgaza.org/portal/en/index.php?option=com_content&view=article&id=8532.

68. United Nations Office for Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *The Gaza Strip: The Humanitarian Impact of Movement Restrictions on People and Goods*, July 2013, p. 2, online at http://www.ochaopt.org/documents/ocha_opt_gaza_blockade_factsheet_july_2013_english.pdf; and United Nations Office for Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Five Years of Blockade: The Humanitarian Situation in the Gaza Strip*, June 2012, online at http://unispal.un.org/UNISPAL.NSF/0/D8FEC28D9B541E8D85257A1D004E5BB0.

69. See GISHA, *Export from Gaza: Frequently Asked Questions*; GISHA, *It's the Export, Stupid!* (Tel Aviv: Legal Center for Freedom of Movement, November 30, 2011), online at http://www.gazagateway.org/2011/11/it's-the-export-stupid. For a detailed description of the official Israeli position see State of Israel, *Measures Taken by Israel in Support of Developing the Palestinian Economy and Socio-economic Structure: Report of the Government of Israel to the Ad Hoc Liaison Com-*

mittee (Brussels: April 13, 2011). In particular see "Chapter Five: Implementation of Israel's Policy Towards the Gaza Strip"; and Association of International Development Agencies, *5 Fallacies in Gaza* (Jerusalem: AIDA, 2012). Also see GISHA, *Five Years into the Closure of Gaza, Gisha Releases New Publications Showing: Increased Access Abroad, Separation from the West Bank and Israel—June 2007–June 2012* (Tel Aviv: Legal Center for Freedom of Movement, June 10, 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1611; Palestinian National Authority (PNA), *Moving beyond the Status Quo: Safeguarding the Two-State Solution—The Palestinian National Authority's Report to the Ad Hoc Liaison Committee* (New York: September 23, 2012), p. 7; and UNSCO, *Palestinian State-Building at Stake*, p. 13.

70. GISHA, *It's the Export, Stupid!*

71. GISHA, *Creeping Punishment* (Tel Aviv: Legal Center for Freedom of Movement, May 2013), pp. 1, 3–4, online at http://www.gisha.org/userfiles/file/publications/Creeping-Punishment/Creeping-Punishment-may2013-eng.pdf. GISHA further writes (p. 4), "The closure of the crossings also impacted Israeli farmers. On March 4, Ilan Eshel, chairman of the Israel Fruit Growers' Association called . . . on the Israeli government to "refrain, as much as possible, from dragging agriculture and food into the hostilities between both sides." On April 30, Eshel said . . . that the banana and loquat growing sectors in Israel were on the verge of collapse due to the closure of Kerem Shalom Crossing and that "if there isn't an immediate change, some of the farmers won't survive this difficult season and will face financial ruin." Eshel noted that the closures had also dealt a heavy financial blow to apple and pear growers. In a conversation with Gisha, Eshel estimated that the losses to Israeli farmers each day Kerem Shalom was closed amounted to between 300–600,000 shekels."

72. GISHA, *What Is the "Separation Policy"?* p. 3. Historically, the Gaza Strip and West Bank effectively formed a single economy, and the Gaza Strip was an "indispensible part of the Palestinian economy, accounting for 35 percent of total GDP in 2005." Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 1, online at http://www.portlandtrust.org/sites/default/files/peb/feature_gaza_feb_2012.pdf; and Portland Trust, *The Private Sector in Gaza* (December 2010), p. 1. This unity was reflected in the Oslo accords and in U.S. policy. In view of the Declaration of Principles signed on September 13, 1993 and other developments, the Department of State issued a letter on January 13, 1997 that "advised the Department of the Treasury that the Palestinian Authority has asked that the US accept the country of origin marking 'West Bank/Gaza' so as to reaffirm the territorial unity of the two areas. The Department of State further advised that it considers the West Bank and Gaza Strip to be one area for political, economic, legal and other purposes." Hence the Treasury Department "further stated that the country of origin markings of goods [from the West Bank and Gaza Strip] shall not contain the words 'Israel,' 'Made in Israel,' 'Occupied Territories–Israel,' or words of similar meaning." Department of the Treasury, Customs Service [T.D. 97-16], *Country of Origin Marking of Products from the West Bank and Gaza*, online at http://www.gpo.gov/fdsys/pkg/FR-1997-03-14/pdf/97-6434.pdf. Note: Because the Gaza Strip and West Bank form one territory, the exchange of goods between them is technically not considered exports or imports. However, for purposes of this study, these terms will be used.

73. Israel Ministry of Foreign Affairs, *Furniture from Gaza Exported to Jordan, (Communicated by the Coordinator of Government Activities in Territories–COGAT, Ministry of Defense)*, January 23, 2012, online at mfa.gov.il/MFA/ForeignPolicy/Peace/Humanitarian/Pages/Furniture_Gaza_exported_Jordan_23-Jan-2012.aspx; and "Official: First Gaza Furniture Export since Siege Planned," *Ma'an News Agency*, January 15, 2012, online at http://www.maannews.net/eng/ViewDetails.aspx?ID=452670. The IMF reports that four truckloads were exported (see IMF, *Recent Experience and Prospects*, p. 37).

74. GISHA, *First Time in 5 Years*; and GISHA, *Export from Gaza, Via Israel and the West Bank But Not To Them, Is Allowed Once Again: This Time Tomatoes to Saudi Arabia* (Tel Aviv: Legal Center for Freedom of Movement, February 6, 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1512.

75. Palestine News Network, *UK Facilitates Export from Gaza*, May 15, 2012, online at http://www.english.pnn.ps/index.php/national/1660-uk-facilitates-export-from-gaza; Amira Hass, "Keeping Brits Warm and 25 Gazans Employed," *Ha'Aretz*, June 25, 2012, online at http://www.haaretz.com/news/features/keeping-brits-warm-and-25-gazans-employed.premium-1.443668. The IMF indicates 4,000 items of knitwear exported in June 2012. (see IMF, *Recent Experience and Prospects*, p. 37)

76. Amira Hass, "Keeping Brits Warm and 25 Gazans Employed."

77. UNSCO, *Palestinian State-Building at Stake*, p. 13. See the Afterword for a brief description of export levels in 2014 and the first half of 2015.

78. GISHA, *What Is the "Separation Policy"?* p. 5.

79. IMF, *Recent Experience and Prospects*, p. 7, note 5.

80. GISHA, *Turning a New Page: The End of the Civilian Closure and the Possibilities It Offers* (Tel Aviv: Legal Center for Freedom of Movement, August 2014), p. 3, online at http://gisha.org/UserFiles/File/publications/newpage/new-page-en.pdf.

81. GISHA, *Consumers, Not Producers: Toward a Better Understanding of the Palestinian Economy in Gaza* (Tel Aviv: Legal Center for Freedom of Movement, September 23, 2012), online at http://groups.yahoo.com/group/canpalnet_news/message/38767.

82. GISHA, *What the MFA Got Wrong on Gaza* (Tel Aviv: Legal Center for Freedom of Movement, August 26, 2014), p. 3, online at http://gisha.org/en-blog/2014/08/24/what-the-mfa-got-wrong-on-gaza.

83. OCHA, *Five Years of Blockade*, p. 2. I used OCHA figures for the daily average of travelers leaving Gaza and multiplied them by 20 days to calculate the monthly average (5 days per week times 4 weeks); and GISHA, *Gisha Response to Ceasefire: An Opportunity to End the Gaza Closure* (Tel Aviv: Legal Center for Freedom of Movement, November 22, 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1749. Other sources put the monthly average higher.

84. GISHA, *Five Years into the Closure of Gaza.*

85. OCHA, *The Gaza Strip: The Humanitarian Impact of Movement Restrictions*, p. 2. Also see GISHA, *Gaza 2013: Snapshot* (Tel Aviv: Legal Center for Freedom of Movement, June 2, 2013), online at http://www.gazagateway.org/2013/06/gaza-2013-snapshot.

86. GISHA, *Turning a New Page*, p. 2.

87. GISHA, *A Guide to the Gaza Closure*, p. 3.

88. UNSCO, *Palestinian State-Building at Stake*, pp. 14–15.

89. GISHA, *Gisha Response to Ceasefire*. Thus, the separation of the two populations has two principal objectives: to prevent Gazans from living in the West Bank, including students (thereby encouraging or forcing Palestinians in the West Bank with family ties to Gaza to move to the Gaza Strip); and to reduce the number of people eligible to travel. GISHA, *What Is the "Separation Policy"?* pp. 6–7. Also see GISHA, *Despite Supreme Court Recommendation: State Upholds Refusal to Allow Gender Studies Students to Travel from Gaza to the West Bank* (Tel Aviv: Legal Center for Freedom of Movement, July 25, 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1640. Furthermore, official policies that forcibly remove certain people to the Gaza Strip and prohibit family members from reuniting in the West Bank further encourage or coerce a move to Gaza.

90. Oxfam International, *Cease Failure: Rethinking Seven Years of Failing Policies in Gaza*, 189 Oxfam Briefing Paper, August 27, 2014, p. 7; and GISHA, *What Is the "Separation Policy"?* p. 8.

91. Oxfam International, *Cease Failure*, p. 7.

92. ICG, *Light at the End of Their Tunnels*, pp. 27–28, note 218.

93. See GISHA, *Movement of People through Rafah Crossing* (Tel Aviv: Legal Center for Freedom of Movement, May 2012), online at http://www.gisha.org/graph.asp?lang_id=en&p_id=1235; and ICG, *Light at the End of Their Tunnels*, pp. 27–28, note 218.

94. GISHA, *Movement of People via Rafah Crossing* (Tel Aviv: Legal Center for Freedom of Movement, August 2014), online at http://gisha.org/graph/2399.

95. GISHA, *Movement of People via Rafah Crossing* (August 2014); Harriet Sherwood and Hazem Balousha, "Palestinians in Gaza Feel the Egypt Effect as Smuggling Tunnels Close," *Guardian*, July 19, 2013, online at http://www.guardian.co.uk/world/2013/jul/19/palestinians-gaza-city-smuggling-tunnels; GISHA, *Human Rights Groups to DM Ya'alon: Respect Gaza Residents' Right to Freedom of Movement* (Tel Aviv: Legal Center for Freedom of Movement, July 22, 2013), online at http://www.gisha.org/item.asp?lang_id=en&p_id=2045; and Palestinian Centre for Human Rights (PCHR), *PCHR Concerned for Deterioration of Humanitarian Conditions in the Gaza Strip*, July 8, 2013, online at http://www.uruknet.info/?p=99062.

96. See World Bank, *Stagnation or Revival? Palestinian Economic Prospects—Economic Monitoring Report to the Ad Hoc Liaison Committee* (Washington, DC: March 21, 2012), online at http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/WorldBankAHLCreportMarch2012.pdf.

97. United Nations, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, United Nations Relief and Works Agency (UNRWA), February 2013, pp. 5, 29. This figure refers to the broad unemployment rate, which is defined as follows (p. 7): "the number of unemployed—including discouraged workers—as a proportion of the "broad" labor force. The broad labor force includes all employed, all those not employed but seeking work plus all those not employed who want to work but who have not looked for work. The ILO advises that in countries where unemployment is persistently high, and/or where there is significant informal economic activity, the broad definition is more relevant in assessing the true extent of unemployment." The IMF put Gaza's unemployment rate at 31.5 percent in March 2012. See IMF, *West Bank and Gaza—Economic Update*, May 24, 2012, online at http://www.imf.org/external/country/WBG/RR/2012/052412.pdf. United Nations Relief and Works Agency (UNRWA), *Socio-economic Developments in the Occupied Palestinian Territory*, September 2012, p. 5 online at http://www.unrwa.org/userfiles/2012090485513.pdf. Writing in September 2012, the IMF stated that after the Israeli government's easing of restrictions, unemployment declined from 38 percent in 2010 to 29 percent in 2011 and during the first half of 2012 stood at 30 percent. See IMF, *Recent Experience and Prospects*, p. 6.

98. United Nations Conference on Trade and Development (UNCTAD), *Report on UNCTAD Assistance to the Palestinian People: Developments in the Economy of the Occupied Palestinian Territory*, September 12–23, 2011, p. 5, online at http://www.unctad.org/en/Docs/tdb58d4_en.pdf. The Palestinian Central Bureau of Statistics reported a peak of 45 percent in in the second quarter of 2008 according to the Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 1.

99. See B'Tselem, *Restrictions on Movement – Statistics on Unemployment and Poverty* (Jerusalem: Israeli Information Center for Human Rights in the Occupied Territories, January 1, 2011), online at http://www.btselem.org/freedom_of_movement/unemployment_statistics; and International Monetary Fund, *West Bank and Gaza: Labor Market Trends, Growth and Unemployment*, 2012, p. 3, online at https://www.imf.org/external/country/WBG/RR/2012/121312.pdf.

100. By contrast, around 12 percent of the West Bank labor force has been working in Israel since 2002, which represents a decline from 21 percent in 2000. World Bank, *Fiscal Crisis, Economic Prospects*, p. 7.

101. UNSCO, *Palestinian State-Building at Stake*, p. 6; and UNSCO, *Gaza in 2020*, p. 6. World Bank, *Coping with Conflict*, p. 14, puts the figure at 33.7 percent in 2009, an increase from 30 percent in 2004.

102. Myers, "Negative Impact of Policy," p. 116; and World Health Organization (WHO), *Health Conditions in the Occupied Palestinian Territory, Including East Jerusalem, and in the Occupied Syrian Golan, A65/27 Rev.1*, May 11, 2012, p. 7, online at http://apps.who.int/gb/ebwha/pdf_files/WHA65/A65_27Rev1-en.pdf.

103. UNSCO, *Palestinian State-Building at Stake*, p. 6.

104. World Bank, *Coping with Conflict*, p. 14. This is based on monthly income for two adults and four children.

105. WHO, *Health Conditions*, p. 7. Also see Jodi Rudoren, "'Forgotten Neighborhood' Underscores the Poverty of an Isolated Enclave," *New York Times*, September 10, 2012, online at http://www.nytimes.com/2012/09/10/world/middleeast/forgotten-neighborhood-underscores-growing-poverty-of-gaza.html.

106. Oxfam International, *Cease Failure*, p. 2. Also see Oxfam International, *20 Facts*; and Oxfam International, *Lifting Blockade Crucial to Gaza Recovery*, August 14, 2014, online at http://www.oxfam.org/en/pressroom/pressreleases/2014-08-14/lifting-blockade-crucial-gaza-recovery.

107. UNSCO, *Gaza in 2020*, p. 6; OCHA, *The Gaza Strip: The Humanitarian Impact of Movement Restrictions*, p. 1; Physicians for Human Rights–Israel, *"Humanitarian Minimum": Israel's Role in Creating Food and Water Insecurity in the Gaza Strip* (Tel Aviv: December 2010), online at http://www.hybridstates.com/wp-content/uploads/2009/10/PHR-PHR-Israel_Report_Humanitarian-Minimum_eng_January_2011.pdf; UNRWA, *Food Insecurity in Palestine Remains High: Joint Press Release by the Palestinian Central Bureau of Statistics (PCBS), the Food and Agricultural Organization (FAO), the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) and the World Food Programme (WFP)*, June 3, 2014, online at http://www.unrwa.org/newsroom/press-releases/food-insecurity-palestine-remains-high; and Rami Zurayk and Anne Gough, *Control Food, Control People: The Struggle for Food Security in Gaza* (Washington, DC: Institute for Palestine Studies, 2013).

108. Amira Hass, "The Real Cost of Israel's Occupation of the Palestinians," *Ha'Aretz*, November 16, 2011, online at http://www.haaretz.com/print-edition/features/the-real-cost-of-israel-s-occupation-of-the-palestinians-1.395839; "Palestinians: Occupation Cost Economy $6.9b in 2010," *Globes*, December 6, 2011, online at http://www.globes.co.il/serveen/globes/docview.asp?did=1000704282&fid=1725; and Harriet Sherwood, "Israeli Occupation Hitting Palestinian Economy, Claims Report," *Guardian*, September 29, 2011, online at http://www.guardian.co.uk/world/2011/sep/29/israeli-occupation-hits-palestinian-economy. For an examination of the economic costs of the occupation on Israel, see Shlomo Swirski, *The Cost of Occupation: The Burden of the Israeli-Palestinian Conflict, 2008 Report* (Tel Aviv: Adva Center—Information on Equality and Social Justice in Israel, June 2008).

109. Shaban, "Gaza Blockade!!"

110. This point is made directly and indirectly by various international agencies cited herein. For example, see the World Bank, *Fiscal Challenges and Long Term Economic Costs—Economic Monitoring Report to the Ad Hoc Liaison Committee* (Washington, DC: March 19, 2013), online at http://unispal.un.org/pdfs/WBank03-2013_AHLCReport.pdf; Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), *Report to the Ad Hoc Liaison Committee*, March 19,

2013, online at http://www.unsco.org/Documents/Special/UN%20Report%20to%20the%20March%202013%20AHLC.pdf; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Fragmented Lives: Humanitarian Overview 2011*, May 2012, online at https://www.ochaopt.org/documents/ocha_opt_fragmented_lives_annual_report_2012_05_29_english.pdf. Also see, World Bank, *Area C and the Future of the Palestinian Economy.*

111. For a history of the tunnel phenomenon, see Nicolas Pelham, "Gaza's Tunnel Phenomenon: The Unintended Dynamics of Israel's Siege," *Journal of Palestine Studies* 41, no. 4 (Summer 2012), pp. 6–31. Also see Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2; and Mandy Turner and Omar Shweiki, *The Political Economy of De-development in Palestine: Contesting Colonisation, Negating Neoliberalism* (London: Palgrave Macmillan, 2014).

112. World Bank, *Palestinian Economic Prospects: Aid, Access and Reform*, p. 7.

113. Pelham, "Gaza's Tunnel Phenomenon," p. 18; and Nicolas Pelham, "Gaza's Tunnel Complex," *Middle East Report* 261 (Winter 2011), online at http://www.merip.org/mer/mer261/gazas-tunnel-complex.

114. Nicolas Pelham, Presentation, Closed meeting, Jerusalem, November 2010.

115. Pelham, "Gaza's Tunnel Phenomenon," p. 12.

116. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2.

117. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2. In addition, the monthly imports (as of February 2012) through Kerem Shalom included: 18,000 tons of gravel (compared to 56,000 tons via the tunnels) and 500 tons of solid iron (compared to 11,000 tons of iron via the tunnels).

118. GISHA, *Gisha Response to Ceasefire*. Between "December 30, 2012 and October 13, 2013 Israel allowed a small amount of construction materials destined for the private sector to enter Gaza." It was not until December 2013 "that some construction materials were again allowed to enter for aid organizations, but the restrictions on their entrance were tightened further still." See GISHA, *The Closure Didn't Stop the Gaza Tunnels* (Tel Aviv: Legal Center for Freedom of Movement, July 28, 2014), p. 2, online at http://gisha.org/en-blog/2014/07/28/the-closure-didnt-stop-the-gaza-tunnels. It should be noted that Israel closed the Karni crossing to containers in 2007, leaving only the conveyor belt operating (e.g., for flour and animal feed); closed the Sufa crossing completely in 2008; closed the Nahal Oz crossing in 2010; and cut off the Karni conveyor belt in 2011.

119. GISHA, *Turning a New Page*, p. 4.

120. Shaban, "Gaza Blockade!!"; Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2; and Pelham, "Gaza's Tunnel Complex," which provides a detailed history of the tunnel trade. Also see Nicholas Pelham, "Diary," *London Review of Books* 31, no. 20 (October 22, 2009), online at http://www.lrb.co.uk/v31/n20/pelh01_.html.

121. Pelham, "Gaza's Tunnel Complex," p. 2.

122. Pelham, "Gaza's Tunnel Phenomenon," p. 16.

123. Pelham, "Gaza's Tunnel Complex," p. 3. There were also reports of greater corruption, lack of transparency and accountability within the Hamas government. Pelham, "Gaza's Tunnel Phenomenon," pp. 22–24.

124. Pelham, "Gaza's Tunnel Phenomenon," p. 12.

125. Omar Shaban, *Hamas and Morsi: Not So Easy between Brothers* (Washington, DC: Carnegie Middle East Center, Carnegie Endowment for International Peace, October 1, 2012), online at http://www.carnegie-mec.org/publications/?fa=49525.

126. Pelham, "Gaza's Tunnel Phenomenon," p. 23. Hamas also regulated many types of businesses—from street vendors to Gaza's 20 money-changing companies—by requiring them to pay license fees. One such fee was a "one-off license fee of 10,000 shekels per tunnel plus a 1,000–3,000 shekel supplement for connection to the electricity grid." Pelham, "Gaza's Tunnel Complex," p. 3; and Pelham, "Gaza's Tunnel Phenomenon," p. 12. Taxes were also collected on a variety of "luxury" items such as cars (custom duty and registration fees could earn Hamas $3,000–$10,000 per car) coming from Libya and subsequently Israel (after the restrictions on imports were lessened in June 2010). Pelham, "Gaza's Tunnel Complex," p. 3; and Ali Abu Kumail, "Social and Economic Conditions in Gaza: A View from the Ground," *Briefing Note* (Berlin: Stiftung Wissenschaft und Politik [SWP] and the Heinrich Boll Stiftung, December 15, 2010). Abu Kumail was development adviser to the Quartet representative, Tony Blair, in Gaza.

127. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2.

128. Pelham, "Gaza's Tunnel Complex," p. 2; and Pelham, "Gaza's Tunnel Phenomenon," p. 16.

129. ICG, *Light at the End of Their Tunnels*, p. 35.

130. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 2.

131. "The Gaza Strip: A Building Boom," *Economist*, August 18, 2012, online at http://www.economist.com/node/21560611.

132. "Bringing Gifts to the Holy Land," *Economist*, October 27, 2012; and Jodi Rudoren, "Qatar's Emir Visits Gaza, Pledging $400 Million to Hamas," *New York Times*, October 23, 2012, online at http://www.nytimes.com/2012/10/24/world/middleeast/pledging-400-million-qatari-emir-makes-historic-visit-to-gaza-strip.html.

133. *Economist,* "The Gaza Strip: A Building Boom"; and ICG, *Light at the End of Their Tunnels*, p. 35.

134. *Economist,* "The Gaza Strip: A Building Boom."

135. UNRWA, *Socio-economic Developments* (September 2012), p. 4.

136. IMF, *Recent Experience and Prospects*, p. 5; UNSCO, *Gaza in 2020*, p. 4; and UNRWA, *Socio-economic Developments* (September 2012), pp. 12, 17. Also see Pelham, "Gaza's Tunnel Phenomenon," p. 16; and Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), pp. 1, 3. According to the IMF (*Recent Experience and Prospects*, p. 5), Gaza's "GDP covers about 30 percent of the WBG's total GDP."

137. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 15.

138. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 15.

139. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 3.

140. UNRWA, *Socio-economic Developments* (September 2012), p. 17. Expansion in public sector employment should also be mentioned, but witnessed a comparatively more modest increase.

141. UNRWA, *Socio-economic Developments* (September 2012), p. 12.

142. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 4.

143. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 5.

144. United Nations Relief and Works Agency (UNRWA), *Labour Market in the Gaza Strip: A Briefing on First-Half 2011*, December 7, 2011, online at http://unispal.un.org/UNISPAL.NSF/0/1A0056275076318385257 95F00527879.

145. Pelham, "Gaza's Tunnel Phenomenon," p. 19; Pelham, "Gaza's Tunnel Complex"; and Pelham, Presentation, Closed meeting, Jerusalem, November 2010.

146. Reuters, "Egyptian Flooding Washes Away Gaza Tunnel Business," *Ha'Aretz*, February 18, 2013, online at http://www.haaretz.com/news/middle-east/egyptian-flooding-washes-away-gaza-tunnel-business-1.504288.

147. Pelham, "Gaza's Tunnel Phenomenon," p. 15.

148. IMF, *Recent Experience and Prospects*, pp. 38–39. The report further states (p. 39): "New projects have been approved since February 2011 but the recently high growth rates are mostly attributed to the tunnel trade and only a small portion can be attributed to these international projects [and hence, Israel's marginal easing of restrictions]."

149. Pelham, "Gaza's Tunnel Complex," p. 3; and Pelham, "Gaza's Tunnel Phenomenon," pp. 20–21.

150. See note 117.

151. GISHA, *What Is the "Separation Policy"?* p. 9. Original source: Daniel L. Byman and Gad Goldstein, *The Challenge of Gaza: Policy Options and Broader Implications*, Saban Center Analysis Paper Series (Washington, DC: Brookings Institution, July 2011).

152. Pelham, "Gaza's Tunnel Phenomenon," p. 20.

153. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 9; and internal donor document based on Palestinian Central Bureau of Statistics (PCBS) data, April 2013.

154. Stated differently, GDP per capita stood at $1,565 per year or around $4.30 per person per day by the end of 2012 (17 percent below its 2005 and 1999 levels). Internal donor document based on PCBS data, April 2013, places GDP growth rate at 17.6 percent in 2011. Also see, UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, which provides slightly different figures.

155. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 17.

156. GISHA, *Graphing 5 Years of Closure* (Tel Aviv: Legal Center for Freedom of Movement, June 2012), p. 3, online at http://www.gisha.org/UserFiles/File/publications/5years/5-to-the-closure-eng.pdf.

157. UNSCO, *Gaza in 2020*, p. 4; and UNRWA, *Socio-economic Developments* (September 2012), p. 6, which states: "In fact, productive investment for both territories fell by nearly 40 percent in 2011 (relative to 2010) while exports fell by 33 percent."

158. UNRWA, *Socio-economic Developments* (September 2012), p. 10.

159. Internal donor document based on PCBS data, April 2013.

160. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p.15; and internal donor document based on PCBS data, April 2013.

161. Internal donor document based on PCBS data, April 2013.

162. Internal donor document based on PCBS data, April 2013.

163. Pelham, "Gaza's Tunnel Phenomenon," p. 21.

164. "Frustrated Hamas Seeks Light at the End of Egyptian Tunnel," *Reuters*, August 13, 2012, online at http://af.reuters.com/article/commoditiesNews/idAFL6E8JD2FY20120813?sp=true.

165. "Egypt Lets Building Materials Cross Its Border into Gaza," *Reuters*, December 29, 2012, online at http://www.reuters.com/article/2012/12/29/us-israel-palestinians-egypt-rafah-idUSBRE8BS08V20121229.

166. International Crisis Group (ICG), *Israel and Hamas: Fire and Ceasefire in a New Middle East*, Middle East Report, no. 133 (Jerusalem/Gaza City/Cairo/Ramallah/Brussels: November 22, 2012), pp. 15–16 and note 110.

167. "Hamas on the Defensive," *Economist*, March 9, 2013. One Egyptian military official involved with the flooding of the tunnels stated that "large quantities of goods" such as steel, cement, flour, sugar, fruit and computers were also confiscated. See Ibrahim Barzak, "Hamas Accuses Egypt of Flooding Gaza Tunnels," *Associated Press*, February 19, 2013, online at http://news.yahoo.com/hamas-accuses-egypt-flooding-gaza-tunnels-132142173.html. Also see Reuters, "Aide: Egypt Flooded Tunnels to Cut Gaza Arms Flow," *Ynetnews.com*, February 18, 2013, online at http://www.ynetnews.com/articles/0,7340,L-4346476,00.html; and Reuters, "Egyptian Flooding Washes Away Gaza Tunnel Business."

168. "Building Material Skyrockets as Egypt Targets Gaza Tunnels," *Ma'an News Agency* (MNA), March 2, 2013, online at http://www.maannews.net/eng/ViewDetails.aspx?ID=570635.

169. MNA, "Building Material Skyrockets." Although the source does not indicate a time period, I am extrapolating from a variety of other sources. Also see Amira Hass, "Egypt Crisis Sets Off Economic and Humanitarian Gaza Chain Reaction," *Ha'Aretz*, July 9, 2013, online at http://www.haaretz.com/news/middle-east/.premium-1.534853.

170. MNA, "Building Material Skyrockets."

171. Telephone interview with an official of an international NGO dealing with security issues, Gaza, March 2013.

172. Sherwood and Balousha, "Palestinians in Gaza Feel the Egypt Effect."

173. Video embedded in Hass, "Egypt Crisis." Also see Fares Akram, "Gaza's Economy Suffers from Egyptian Military's Crackdown," *New York Times*, July 25, 2013, online at http://www.nytimes.com/2013/07/25/world/middleeast/gazas-economy-suffers-from-egyptian-crackdown.html.

174. Akram, "Gaza's Economy Suffers from Egyptian Military's Crackdown"; and EuroMid Observer for Human Rights, *Slow Death: The Collective Punishment of Gaza Has Reached a Critical Stage* (Geneva: September 2013), p. 7, online at http://www.euromid.org/report/SlowDeath.pdf.

175. EuroMid Observer for Human Rights, *Slow Death*, p. 12.

176. Associated Press, "UN Says Gaza Construction Industry Near Collapse," *Finance and Commerce*, November 21, 2013, online at http://finance-commerce.com/2013/11/u-n-says-gaza-construction-industry-near-collapse/.

177. GISHA, *Building in Ruins* (Tel Aviv: Legal Center for Freedom of Movement, June 12, 2014), p. 1, online at http://gisha.org/en-blog/2014/06/12/building-in-ruins. For example, Israel prohibited the private sector from importing construction materials into Gaza and subsequently imposed these same import restrictions on UNRWA putting on hold $60 million in building projects. See Kathleen Peratis, "Remember Gaza," *Jewish Daily Forward*, November 15, 2013, online at http://www.forward.com/articles/187717/remember-gaza; and Associated Press, "UN Says Gaza Construction Industry Near Collapse." In November 2013, Defense Minister Moshe Ya'alon stated: "When we realized that the concrete that's transferred there or the cement, or other construction materials, are ultimately used as a means to attack us—I also stopped, in a decision, the transfer of cement and other construction materials. That's the price that, unfortunately, the population will have to pay for this thing, but it is also a response to it." GISHA, *Building in Ruins*, p. 2.

178. GISHA, *Building in Ruins*, p. 1, which also reports (p. 2) that as a result of the shortage in construction materials, 269 projects were frozen. Of those remaining active, 81 were funded either by Qatar or international organizations, and 27 were UNRWA projects.

179. GISHA, *Building in Ruins*, p. 1; and GISHA, *Turning a New Page*, pp. 3–4; and Sara Roy, "Deprivation in Gaza Strip," *Boston Globe*, July 19, 2014, online at http://www.bostonglobe.com/opinion/2014/07/19/deprivation-gaza-strip/6HybezDQv6N0lGzsVWoB4N/story.html.

180. According to Oxfam International, for example: "A near total ban on fuel imports for public sale was put in place by the Government of Israel in October 2008, and between 2008 and the beginning of 2012, diesel and petrol for public sale were available on the black market via the underground tunnels beneath Gaza and Egypt. An effort by the Egyptian authorities to curb smuggling and preserve scarce fuel in the Sinai has led to a shortage of fuel from the tunnels, thus creating an ongoing fuel crisis in the Gaza Strip. Since the fuel crisis, the Government of Israel has allowed some transfers of diesel and petrol at the request of Gaza's private sector. Before the fuel crisis, around 600,000 litres of diesel and 200,000 litres of petrol for public sale were reported to enter Gaza every day through the tunnels." *Gaza Weekly Updates* (April 29–May 5, 2012), p. 3.

181. GISHA, *Frequently Asked Questions*; Pelham, "Diary"; and interviews with officials of foreign NGOs operating in the Gaza Strip, 2010–2012. Also see Omar Shaban, "Gazans Suffer as Foreign NGOs Refuse to Deal with Hamas," *al-Monitor*, February 18, 2013, online at http://www.al-monitor.com/pulse/originals/2013/02/tension-ngo-hamas-gaza.html. There is another problem with the tunnel trade: deepening Gaza's vulnerability and dependency on Israel for those essential items unsuited to tunnel trade, such as cooking gas. The chronic shortage in cooking gas has been a principal concern of humanitarian organizations since November 2009. Yet another problem concerns the death and injury of tunnel workers, many of them children. Between June 2007 and June 2012, 172 Palestinians have been killed and 318 injured. OCHA, *Five Years of Blockade*, p. 1. The Hamas government, in turn, has attempted to coerce international organizations into dealing with it, straining relations between them. See Shaban, "Gazans Suffer as Foreign NGOs Refuse to Deal with Hamas."

182. Interviews via email correspondence with analysts, Gaza, 2012.

183. *Economist*, "The Gaza Strip: A Building Boom"; and Omar Shaban, "New Class of Palestinians Get Rich on Gaza Tunnel Trade," *al-Monitor*, January 28, 2013, online at http://www.al-monitor.com/pulse/originals/2013/01/gaza-tunnel-millionaires.html.

184. Shaban, "Gaza Blockade!!"; and Shaban, "New Class of Palestinians Get Rich."

185. ICG, *Light at the End of Their Tunnels*, p. 35. This same official stated, "Hamas in Gaza has many interests in maintaining the current situation. Hamas divided and resold [evacuated Jewish] settlement lands and made millions."

186. GISHA, *Five Years into the Closure of Gaza.*

187. Figures revised downward from 78,000.

188. UNSCO, *Palestinian State-Building at Stake*, p. 13.

189. Pelham, "Gaza's Tunnel Phenomenon," pp. 10, 27, note 16.

190. Shaban, "New Class of Palestinians Get Rich"; and Omar Shaban, "PA Employees in Gaza Key to Reconciliation," *al-Monitor*, February 11, 2013, online at http://www.al-monitor.com/pulse/originals/2013/02/palestine-reconciliation-today.html.

191. According to a colleague in Gaza interviewed in 2012, "a KIA car that sells for no more than 15,000 USD outside Gaza, sells here for 30,000 or 40,000 USD."

192. Pelham, "Gaza's Tunnel Phenomenon," p. 19; and Shaban, "New Class of Palestinians Get Rich."

193. Ruqaya Izzidien, "Shuffling through an Underground Artery to Gaza," *New York Times*, May 29, 2012, online at http://www.nytimes.com/2012/05/30/world/middleeast/a-walk-through-a-tunnel-at-the-rafah-crossing-into-gaza.html; and Pelham, "Gaza's Tunnel Complex," p. 2.

194. Pelham, "Gaza's Tunnel Phenomenon," p. 19.

195. Shaban, "New Class of Palestinians Get Rich."

196. Kristina Flodman Becker, *The Informal Economy* (Stockholm: Swedish International Development Cooperation Agency, March 2004), p. 3.

197. World Bank, *Fiscal Crisis, Economic Prospects*, p. 11.

198. UNRWA, *Socio-economic Developments* (September 2012), p. 16.

199. UNRWA, *Socio-economic Developments* (September 2012), p. 26.

200. Pelham, "Gaza's Tunnel Phenomenon," p. 24.

201. Email correspondence, Sami Abdel-Shafi, director, Emerge Consultants, Gaza City, May 4, 2012.

202. Some of the material in this section is taken from Roy, "Gaza: Treading on Shards."

203. Also see al-Haq, *Shifting Paradigms: Israel's Enforcement of the Buffer Zone in the Gaza Strip*, Ref. No. 229/2011 (Ramallah: al-Haq, June 23, 2011), p. 7, online at http://www.alhaq.org/publications/publications-index/item/shifting-paradigms-israel-s-enforcement-of-the-buffer-zone-in-the-gaza-strip.

204. Al-Haq, *Shifting Paradigms*, p. 6; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA) and World Food Programme (WFP), *Special Focus—Between the Fence and a Hard Place: The Humanitarian Impact of Israeli-imposed Restrictions on Access to Land and Sea in the Gaza Strip*, August 2010, online at http://www.ochaopt.org/documents/ocha_opt_special_focus_2010_08_19_english.pdf.

205. Oxfam International, *Gaza Weekly Updates* (April 29–May 5, 2012), p. 3, states: "There were 6 reports of the Israeli army opening heavy machine gun fire in the access restricted area, with 2 reports that the fire was reportedly directed towards farmers working in their fields. No injuries were reported but one wheat field was reportedly burned." For a personal account see Palestinian Centre for Human Rights (PCHR), *Occupied Lives: Fear at the Border*, May 2, 2012, online at http://www.uruknet.info/?new=87728.

206. United Nations Office of the High Commissioner for Human Rights (OHCHR), *Update: The Access Restricted Areas in the Gaza Strip*, January–December 2011, p. 3, online at http://reliefweb.int/report/occupied-palestinian-territory/access-restricted-areas-gaza-strip-update-january-december; and telephone interview, Lt. Col. Desmond Travers, a co-author of the Goldstone Report. See United Nations, *Human Rights in Palestine and Other Occupied Arab Territories: Report of the United Nations Fact-Finding Mission on the Gaza Conflict*, General Assembly, Human Rights Council, September 25, 2009, online at http://www2.ohchr.org/english/bodies/hrcouncil/docs/12session/A-HRC-12-48.pdf (more commonly known as the Goldstone Report).

207. In a June 2012 internal document from an international organization working in the Gaza Strip, which I am not at liberty to identify, the buffer zone was "defined as the area spanning 1.5 kilometers from the border with Israel along the northern and eastern perimeter." Hence the figures I am using are conservative. Also see United Nations Food and Agriculture Organization (FAO) and Office for the Coordination of Humanitarian Affairs (OCHA), *Farming without Land, Fishing without Water: Gaza Agriculture Sector Struggles to Survive*, May 25, 2010, p. 1, online at http://www.ochaopt.org/documents/gaza_agriculture_25_05_2010_fact_sheet_english.pdf; and http://unispal.un.org/UNISPAL.NSF/0/9A265F2A909E9A1D8525772E004FC34B. This document states that the "width of the Buffer Zone is 0.5–1km along the eastern border and 1.8–2km along the northern border." Under Mubarak, Egypt had long imposed a buffer zone on Gaza's southern border. See as well OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 1; and the Emergency Water, Sanitation, and Hygiene Group (EWASH) Advocacy Task Force, *Water for Agriculture and Food Security in Gaza*, February 2011, p. 2, online at http://www.ewash.org/files/library/Factsheet%206%20-%20A4.pdf.

208. When the zone was expanded in 2008, farmers' income from agriculture declined to less than a third of what it was prior. See al-Haq, *Shifting Paradigms*, p. 7, note 7. Also see OCHA and WFP, *Special Focus—Between the Fence and a Hard Place*.

209. Alon Ben David, "Hamas Enforces Quiet Border with Israel," *al-Monitor*, May 3, 2013, online at http://www.al-monitor.com/pulse/originals/2013/05/hamas-enforces-a-quiet-border-with-israel.html.

210. United Nations Office of the High Commissioner for Human Rights (OHCHR), *Analytical Update on the Access Restricted Areas in the Gaza Strip: Monitoring of Access to Land in the "Buffer Zone" Following the 21 November 2012 Agreement*, May 2013, online at http://www.globalprotectioncluster.org/_assets/files/field_protection_clusters/Occupied_Palestinian/files/oPt_PC_Analytical_Update_Access_Land_in_ARA_05.2013_EN2013.pdf.

211. These data come from as yet unpublished research by Lt. Col. Desmond Travers, October 2012. Cited with his permission. To the author's knowledge, despite the slight easing of access restrictions, the impact of the data cited here remained largely unchanged by mid-2014.

212. FAO and OCHA, *Farming without Land, Fishing without Water*, p. 1; and Oxfam International, *Gaza Weekly Updates* (April 29–May 5, 2012), p. 3.

213. OCHA, *Five Years of Blockade*, p. 2; and OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 2, which also states: "In 2011, at least 44 Palestinian civilians, not taking part in hostilities, were killed (including 12 children and two women) and 406 were injured (including 119 children and 28 women) in the Gaza Strip as a result of Israeli military activity. Almost half of these casualties occurred in the ARA: 21 were killed (including seven children and two women) and 213 were injured (including 68 children and 6 women)."

214. AIDA, *5 Fallacies in Gaza*, p. 2.

215. FAO and OCHA, *Farming without Land, Fishing without Water*, p. 2; EWASH Advocacy Task Force, *Water for Agriculture and Food Security in Gaza*, Fact Sheet 6 (March 2010), p. 2, http://www.ewash.org/files/library/Factsheet%206%20-%20A4.pdf; EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), p. 1; and Kanya D'Almeida, "World Bank Reveals Crippling Donor Dependency in the West Bank, Gaza," *Inter Press Service*, October 17, 2011, online at http://www.ipsnews.net/print.asp?idnews=105498.

216. EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), p. 2.

217. EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), p. 1.

218. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 3. Also see OCHA and WFP, *Special Focus—Between the Fence and a Hard Place*, pp. 10–11; and UNCTAD, *Report on UNCTAD Assistance to the Palestinian People*, p. 3.

219. Oxfam International, *Gaza Weekly Updates* (April 29–May 5, 2012), p. 2. According to Lt. Col. Desmond Travers, the maritime blockade began after the discovery of gas reserves in the territorial waters of Gaza known as the Gaza Marine. These reserves, which have the capacity to transform Gaza's economy, could meet the energy needs of both the Gaza Strip and West Bank and would be crucial to the development of water desalination systems. For example, 2012 demand for electricity (350 megawatts) far outweighed capacity (242 megawatts) and demand is expected to more than double by 2020. In 2012 most of Gaza's electricity (120 megawatts) was provided by Israel and extremely vulnerable, with 100 megawatts produced locally (and also vulnerable to irregularities in fuel imports and attack) and 22 megawatts imported from Egypt. UNSCO, *Gaza in 2020*, p. 10. "In addition to the direct revenue that the PA would generate from the commercialization of the gas fields, the Palestinian economy could make more than $8 billion of total savings in energy costs over the life of the project if the gas were used for generating electricity in Gaza and the West Bank." Victor Kattan, "The Gas Fields off Gaza: A Gift or a Curse?" *al-Shabaka Policy Brief*, April 25, 2012, online at http://al-shabaka.org/node/390. In 2010, the loss of these reserves to the Palestinian economy was valued at $600 million. Kattan further writes, "Under international law, every state with a coastline is entitled to an Exclusive Economic Zone (EEZ) extending up to 200 NM from the baseline, within which the coastal states enjoy extensive rights in relation to natural resources." In this regard he recommends that Palestine join international organizations and accede to the UN Convention on the Law of the Sea. Also see Gili Cohen, "Israel Navy Demands NIS 3 Billion for Protection of Gas Rigs," *Ha'Aretz*, July 9, 2012, online at http://www.haaretz.com/news/diplomacy-defense/israel-navy-demands-nis-3-billion-for-protection-of-gas-rigs-1.449954. Also see, Omar Shaban, "Gaza Can't Help Palestinians," *al-Monitor*, March 4, 2013, online at http://www.al-monitor.com/pulse/originals/2013/03/gaza-oil-fields.html.

220. GISHA, *Creeping Punishment*, p. 2.

221. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 3.

222. United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Access Restricted Areas (ARA) in the Gaza Strip, Factsheet*, July 2013, p. 2, online at http://www.ochaopt.org/documents/ocha_opt_gaza_ara_factsheet_july_2013_english.pdf; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Humanitarian Bulletin-Monthly Report*, May 2014, p. 3, online at https://www.ochaopt.org/documents/ocha_opt_the_humanitarian_monitor_2014_06_24_english.pdf.

223. OCHA, *Access Restricted Areas (ARA) in the Gaza Strip, Factsheet*. p. 1. The permitted fishing zone steadily decreased as follows: 20 NM (Oslo agreements), 12 NM (Bertini Commitments), 6–9 NM (prior to OCL) and 3 NM (post-OCL).

224. Al-Haq, *Shifting Paradigms*, p. 9; Internal Displacement and Monitoring Centre (IDMC), *Access Restricted Areas in the Gaza Strip*, 2014, p. 1, online at http://www.internal-displacement.org/assets/publications/2014/201402-me-palestine-under-fire-brief-en.pdf; and Interview, Economist, Gaza, June 2014. Fishermen are also subject to considerable violence at sea and on land. Even when they remain within the 3 NM limit, let alone when they venture beyond it, fishermen have been shot at with

live ammunition and arbitrarily detained. In 2011, the UN recorded 72 incidents by Israeli forces against Gazan fishermen including damage to, or destruction of, fishing equipment (36 cases) and confiscation of boats (7 cases) resulting in huge financial losses for individual fishermen. Between January 1, 2012 and May 5, 2012, Oxfam International reported 26 incidents where the Israeli navy fired on Palestinian fishermen. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 2; and Oxfam International, *Gaza Weekly Updates* (April 29–May 5, 2012), p. 2.

225. IDMC, *Access Restricted Areas in the Gaza Strip*, p. 1.

226. FAO and UNOCHA, *Farming without Land, Fishing without Water*, p. 2.

227. Internal document, Summer 2012.

228. See United Nations, *Human Rights in Palestine and Other Occupied Arab Territories*.

229. Data from the Union of Agricultural Work Committees, Gaza Strip, 2012.

230. Roy, "Gaza: Treading on Shards," based on data from the Union of Agricultural Cooperatives in Gaza; OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 3; and al-Haq, *Shifting Paradigms*, p. 10.

231. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 3; and OCHA and WFP, *Special Focus—Between the Fence and a Hard Place*, p. 5.

232. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 2; and Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 16.

233. OHCHR, *Update: The Access Restricted Areas in the Gaza Strip*, p. 2.

234. "Israeli Army 'Razes Land in Northern Gaza,'" *Ma'an News Agency*, May 1, 2012, online at http://www.maannews.net/eng/ViewDetails.aspx?ID=480937.

235. Saed Bannoura, "Army Invades Central Gaza," *IMEMC News*, August 6, 2013, online at http://www.imemc.org/article/65915.

236. PNA, *Agriculture Sector Strategy "A Shared Vision" 2011–2013* (Ramallah: Ministry of Agriculture, July 2010), p. 5.

237. Internal document, European military analyst, Summer 2012.

238. One concern is that the Israeli army may have bulldozed lands as deep as two kilometers from the Israeli border with the intention of further restricting access to food and rendering the land non-arable over time.

239. See United Nations, *Human Rights in Palestine and Other Occupied Arab Territories*, pp. 13, 41. Also see Norman G. Finkelstein, "*This Time We Went Too Far,*" pp. 131–58

240. Telephone interview with Lt. Col. Desmond Travers, March 2013.

241. The damage to Gaza's sewage treatment infrastructure during OCL likely contributed to this problem.

242. Telephone interview with Lt. Col. Desmond Travers, March 2013.

243. Naji Elmir, *Gaza Water Confined and Contaminated*, August 2012, online at http://www.visualizingpalestine.org/infographic/gaza-water-confined. Original sources include: B'Tselem, *Thirsty for a Solution: Water Shortage in the Occupied Territories and Its Solution in the Final Status Agreement, July 2000* (Jerusalem: Israeli Information Center for Human Rights in the Occupied Territories, 2000), online at http://www.btselem.org/publications/summaries/200007_thirsty_for_a_solution; Clemens Messerschmid, *Water in Gaza: Problems and Prospects* (Birzeit: Birzeit University, Ibrahim Abu-Lughod Institute of International Studies, 2011); United Nations International Children's Emergency Fund (UNICEF), *Protecting Children from Unsafe Water in Gaza—Strategy, Action Plan and Project Resources* (March 2011), online at http://www.unicef.org/oPt/FINAL_Summary_Protecting_Children_from_unsafe_Water_in_Gaza_4_March_2011.pdf; and the World Bank, *Assessment of Restrictions on Palestinian Water Sector Development: West Bank and Gaza-Sector Note* (Washington, DC: April 2009), online at http://siteresources.worldbank.org/INTWESTBANKGAZA/Resources/WaterRestrictionsReport18Apr2009.pdf.

244. UNSCO, *Gaza in 2020*, p. 11.

245. Mark Zeitoun, *Power and Water in the Middle East: The Hidden Politics of the Palestinian-Israeli Water Conflict* (London: I.B. Tauris, 2008), p. 181, note 24. Also see American Near East Refugee Aid (ANERA), *Water in the West Bank and Gaza*, vol. 2 (Washington, DC: March 2012), p. 6; and EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), p. 2. Also see Messerschmid, *Water in Gaza*.

246. Telephone interview, July 2012.

247. UNSCO, *Gaza in 2020*, p. 11; ANERA, *Water in the West Bank and Gaza*, vol. 2, p. 6; and OCHA, *The Gaza Strip: The Humanitarian Impact of Movement Restrictions*, p. 1.

248. EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), p. 1.

249. EWASH, *Water Quality in the Gaza Strip, Fact Sheet 3,* February 2011, p. 2, online at http://www.ewash.org/files/library/Factsheet%203%20-%20A4.pdf. Original source: United Nations Environment Program (UNEP), *Environmental Assessment of the Gaza Strip Following the Escalation of Hostilities in December 2008–January 2009*, September 2009, online at http://www.unep.org/PDF/dmb/UNEP_Gaza_EA.pdf.

250. UNSCO, *Gaza in 2020*, pp. 11–12; OCHA, *Locked In: The Humanitarian Impact of Two Years of Blockade*, pp. 22–23; and EWASH, *Water for Agriculture and Food Security in Gaza* (February 2011), pp. 3–4. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 17 states that "60–90 million litres of un-

treated or partially treated sewage have been dumped into Gaza's sea every day *since 2008* [emphasis mine]."

251. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 16; and UNSCO, *Gaza in 2020*, p. 11.

252. UNSCO, *Gaza in 2020*, p. 11.

253. UNSCO, *Gaza in 2020*, p. 12.

254. UNSCO, *Gaza in 2020*, p. 12; and EWASH Advocacy Task Force, *Five Years of Blockade: The Water and Sanitation Situation in the Gaza Strip* (June 2012), p. 1, online at http://www.ewash.org/files/library/5th%20anniversary%20of%20the%20blockade%20-briefing%20on%20WASH[1].pdf.

255. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, pp. 16, 28, note 111. Salinity levels, for example, are now well above the acceptable WHO level of 250 mg/liter. Also see EWASH, *Five Years of Blockade*, p. 1; and B. Shomar, "Groundwater of the Gaza Strip, Is It Drinkable?" *Environmental Geology* 50 (2006), pp. 743–51.

256. EWASH, *Water Quality in the Gaza Strip* (February 2011), p. 2.

257. Elmir, *Gaza Water Confined and Contaminated.*

258. EWASH, *Water Quality in the Gaza Strip* (February 2011), pp. 2–3. Other sources cite 75–90 percent of Gazans rely on private water vendors. See Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 28, note 109.

259. UNSCO, *Gaza in 2020*, p. 19, note 70.

260. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 16.

261. EWASH, *Quality in the Gaza Strip* (February 2011), p. 3.

262. Ziyaad Lunat, "The 'Economic Peace' Model in the Palestine Water Sector," Paper presented at a conference on Palestinian Human Rights, Australia National University, September 11–12, 2013. Lunat also states that Gaza cannot sustain the running costs of desalinization. Also see Messerschmid, *Water in Gaza.* For an example of what Lunat is arguing see Palestinian National Authority and Palestinian Water Authority, *The Gaza Emergency Technical Assistance Programme (GETAP) on Water Supply to the Gaza Strip—Component 1:The Comparative Study of Options for an Additional Supply of Water for the Gaza Strip (CSO-G): The Updated Final Report* (Windhoek, Namibia: Phillips Robinson and Associates, July 31, 2011); and Palestinian Water Authority and the European Investment Bank, *Water Supply to Gaza: Preparatory Studies for a Seawater Desalination Plant, Project Information Memorandum* (Innsbruck, Austria: Posch and Partners Consulting Engineers, June 2, 2012). In this regard also see Palestinian National Authority, *Palestinian Water Sector: Status Summary Report*, September 2012, online at http://www.ewash.org/files/library/Water%20summary%20for%20AHLC%20report%20FINAL.pdf.

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264. ANERA, *Water in the West Bank and Gaza*, vol. 2, p. 6.

265. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 16.

266. Roy, "Gaza: Treading on Shards."

267. UNSCO, *Gaza in 2020*, p. 12.

268. EWASH, *Five Years of Blockade*, p. 1.

269. OCHA, *The Gaza Strip: The Humanitarian Impact of Movement Restrictions*, p. 1; email communication, analyst, Gaza, August 2013; and Rasha Abou Jalal, "Sewage Pours onto Gaza Beaches," *al-Monitor*, July 12, 2013, online at http://www.al-monitor.com/pulse/originals/2013/07/sewage-gaza-beach-environment.html.

270. Rasha Abou Jalal, "Sewage Pours onto Gaza Beaches."

271. "Gaza Fuel Crisis: UN Expert Calls for Urgent Action to Avert Humanitarian Catastrophe," *Web Arab News Digest*, November 26, 2013, online at http://us7.campaign-archive1.com/?u=2820afb1fbae0c99e88fb6f52&id=b468439ec0&e=4bed88abd1. Professor Falk's full title was: United Nations special rapporteur on the situation of human rights in the Palestinian territories occupied since 1967.

272. *Web Arab News Digest*, "Gaza Fuel Crisis."

273. *Web Arab News Digest*, "Gaza Fuel Crisis." Also see Palestinian Centre for Human Rights (PCHR), *After Gaza Power Plant Forced Off, Humanitarian Conditions of Approximately 1.7 Million Palestinians in the Gaza Strip Deteriorate*, November 7, 2013, online at http://www.pchrgaza.org/portal/en/index.php?option=com_content&view=article&id=9890. The fuel is supplied from Israel via the Palestinian Energy Authority in Ramallah. The latter refused delivery of fuel supplies because its institutional counterpart in Gaza had not paid taxes on the price of the industrial fuel. Also see Fares Akram and Jodi Rudoren, "Raw Sewage and Anger Flood Gaza's Streets as Electricity Runs Low," *New York Times*, November 21, 2013, online at http://www.nytimes.com/2013/11/21/world/middleeast/raw-sewage-and-anger-floods-gazas-streets-as-electricity-runs-low.html; Sheera Frankel, "Increasingly Cut Off from the World, Gaza Battles Power Outages and Sewage Floods," *BuzzFeed World*, November 19, 2013, online at http://www.buzzfeed.com/sheerafrenkel/increasingly-cut-off-from-the-world-gaza-battles-power-outag; Sophia Jones, "It's Like the Canals of Venice in Gaza City, but with Rivers of Sewage," *Huffington Post World*, November 21, 2013, online at http://www.huffingtonpost.com/2013/11/21/gaza-city-sewage_n_4315803.html; and "Gaza: A Disgrace," *Web Arab News Digest*, November 26, 2013, online at http://us7.campaign-archive1.com/?u=2820afb1fbae0c99e88fb6f52&id=b468439ec0&e=4bed88abd1.

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275. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 17.

276. EWASH, *Five Years of Blockade*, p. 1.

277. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 18.

278. Abou Jalal, "Sewage Pours onto Gaza Beaches."

279. Palestinian Central Bureau of Statistics (PCBS), *Palestinian Children—Issues and Statistics, Annual Report, 2011*, Child Statistics Series no. 14 (Ramallah: April 2011), p. 28, online at http://www.pcbs.gov.ps/Downloads/book1740.pdf.

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282. PCBS, *Palestinian Children—Issues and Statistics*, p. 29.

283. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children,* p. 8.

284. Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 4.

285. EWASH, *Water Quality in the Gaza Strip* (February 2011), p. 4. Also see WHO, *Health Conditions*, p. 11.

286. EWASH, *Water Quality in the Gaza Strip* (February 2011), p. 4; and Save the Children UK and Medical Aid for Palestinians, *Gaza's Children,* pp. 2, 8.

287. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 8.

288. Telephone interview, United Nations official, November 10, 2013.

289. Save the Children UK and Medical Aid for Palestinians, *Gaza's Children*, p. 19.

290. Internal document, Summer 2012. The translated term used in the document is "abortion" (I did not have access to the original Arabic) but I strongly believe that what is being described is a miscarriage.

291. Interview, 2011.

292. Interview, Summer 2012.

293. Portland Trust, *The Private Sector in Gaza* (December 2010), p. 4. Furthermore, according to a 2013 World Bank report assessing the Palestinian economy as a whole, there is a growing risk that the "labor force . . . could lose long-term employability . . . and its capacity to compete in the global market. . . . With low labor force participation and high rates and duration of unemployment, many Palestinians of working age do not have the opportunity to develop on-the-job skills. Increased employment in the public sector has provided some short-term relief, but this is unsustainable and does little to prepare employees for future private sector jobs." See World Bank, "Palestinian Economy is Losing Long-Term Competitiveness," *Press Release*, March 12, 2013, online at http://www.worldbank.org/en/news/press-release/2013/03/11/palestinian-economy-losing-long-term-competitiveness. The report is entitled, *Fiscal Challenges and Long Term Economic Costs* (see n. 109 above).

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295. Email correspondence, Sami Abdel-Shafi, director, Emerge Consultants, Gaza City, April 29, 2012.

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297. Rajaie Batniji, "Searching for Dignity," *Lancet* 380 (August 4, 2012), p. 466, online at http://www.thelancet.com/pdfs/journals/lancet/PIIS0140-6736(12)61280-X.pdf.

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301. Data compiled by Lt. Col. Desmond Travers based on the situation reports of the PCHR in Gaza and the Gaza NGO Safety Office (GANSO) over the period described. Email correspondence, February 2013.

302. Telephone interview with an official of an international NGO dealing with security issues, Gaza, March 2013.

303. Batniji, "Searching for Dignity," pp. 466–67.

304. Save the Children Sweden and the East Jerusalem YMCA Rehabilitation Program, *The Impact of Child Detention: Occupied Palestinian Territory 2012*, 2012, p. 9, online at http://resourcecentre.savethechildren.se/sites/default/files/documents/5720.pdf.

305. Email communication, Omar Shaban, economist and director, *Pal-Think*, Gaza Strip, June 2012.

306. UNSCO, *Gaza in 2020*, pp. 8–9.

307. GISHA, *Gaza 2013: Snapshot*; and Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), *UNSCO Socio-Economic Report: Overview of the Palestinian Economy in Q1/2014*, July 9, 2014, online at http://www.unsco.org/Documents/Special/UNSCO%20Socio-Economic%20Report%20Q1%202014%20.pdf.

308. Oxfam International, *Gaza Weekly Updates* (April 29–May 5, 2012), p. 4.

309. UNRWA, *Socio-economic Developments* (September 2012), p. 27. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 26 states public employment in Gaza grew by around 4.1 percent and accounted for less than one-fifth of new jobs between first-half 2011 and first-half 2012.

310. See the World Bank, "Donor Aid Keeps Gaza Economy Afloat; World Bank Report Finds Poverty Reduction Fragile and Linked to Donor Aid," *Press Release No. 2012/107/MNA*, October 16, 2011, online at http://go.worldbank.org/TJ6DE0VTN0. The stark regional disparities between Gaza and the West Bank result in part from Gaza's higher unemployment rate, lower labor force participation rates and fewer private sector jobs.

311. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 34.

312. UNRWA, *Socio-economic Developments* (September 2012), p. 14; and GISHA, *Graphing 5 Years of Closure*, Figure 5. Assessing the Palestinian economy as a whole, the World Bank in 2013 reported, "The economy is in danger of losing its capacity to compete in the global market. . . . [T]he structure of the economy has deteriorated since the late 90's as the value-added of the tradable sectors has declined, illustrated by the productivity of the agriculture sector having roughly halved and the manufacturing sector having largely stagnated." See World Bank, "Palestinian Economy is Losing Long-term Competitiveness."

313. UNRWA, *Socio-economic Developments* (September 2012), p. 17.

314. UNSCO, *Palestinian State-Building at Stake*, p. 4. It is therefore not surprising that during the boom year of 2011 "investment in Gaza [was] directed away from industry towards the services sector, especially restaurants, recreational facilities, recycling projects, mobile applications, professional training centres, small tourist villages and the new phenomenon of shopping malls." Portland Trust, *The Private Sector in the Gaza Strip* (February 2012), p. 3. Also see the World Bank, *Fiscal Challenges*, pp. 3–4.

315. See World Bank, *Fiscal Crisis, Economic Prospects*; and PNA, *Moving beyond the Status Quo*.

316. This includes Israel's December 30, 2012, decision to allow for "the first time in five years" the daily entry of up to "20 truckloads of building materials into Gaza for use by the private sector." Israel's gesture was a concession of the cease-fire deal following OPD and part of "new" policy allowing certain individuals and private companies to import construction materials and other goods (previously restricted to international aid organizations) through the Kerem Shalom crossing. See Isabel Kershner, "Israel, in Shift, Lets Building Materials into Gaza," *New York Times*, December 30, 2012, online at http://www.nytimes.com/2012/12/31/world/middleeast/in-shift-israel-lets-building-materials-into-gaza.html. Also see, Agence France Presse, "Israel to Ease Gaza Ban on Construction Material," *Ynetnews.com*, December 26, 2012, online at http://www.ynetnews.com/articles/0,7340,L-4325036,00.html; and Palestinian Centre for Human Rights (PCHR), "Lift the Closure Imposed on Gaza Completely . . . New Israeli Allegations about Easing the Closure," *Press Release* (Gaza City: January 3, 2013), online at http://www.pchrgaza.org/portal/en/index.php?option=com_content&view=article&id=9164. Furthermore, the World Bank reported that "The share of exports in the Palestinian economy has . . . been in steady decline since 1994, dropping to 7 percent in 2011, one of the lowest in the world." World Bank, "Palestinian Economy is Losing Long-term Competitiveness."

317. See PCHR, "Lift the Closure Imposed on Gaza Completely"; and Steven Erlanger and Fares Akram, "A Cease-Fire Helps Fishermen, but Risks Remain," *New York Times,* December 25, 2012, online at http://www.nytimes.com/2012/12/25/world/middleeast/gaza-cease-fire-expands-fishing-area-but-risks-remain.html.

318. Also, the lessening of restrictions "should not be subject to the other terms of the ceasefire, namely an absence of hostilities," which is a form of pressure on the Hamas government and the people of Gaza, and a violation of international law. GISHA, *The Ceasefire: An Opportunity to Sever the Link between Hostilities and Civilian Movement and Access*, Position Paper (Tel Aviv: Legal Center for Freedom of Movement, November 2012), online at http://www.gisha.org/item.asp?lang_id=en&p_id=1765.

319. OCHA, *The Gaza Strip: The Humanitarian Impact of Movement Restrictions*, p. 1. GISHA, *Turning a New Page*, p. 4, reported an unemployment rate of 28 percent in the second quarter of 2013.

320. UNRWA, *Socio-economic Developments* (September 2012), p. 6. Furthermore, "This situation stands in stark contrast to conditions in neighbouring countries with similar demographic dynamics but significantly lower unemployment rates."

321. UNRWA, "Socio-economic Developments in the Occupied Palestinian Territory, First-Half 2012," Draft, p. 29, note 28.

322. Lunat, "The 'Economic Peace' Model in the Palestine Water Sector," note 3.

323. UNSCO, *Gaza in 2020*, p. 9.

324. UNSCO, *Gaza in 2020*, p. 9.

325. UNSCO, *Gaza in 2020*, p. 14.

326. Internal donor document, December 7, 2012.

327. UNSCO, *Gaza in 2020*, p. 13.

328. Akram, "Gaza's Economy Suffers from Egyptian Military's Crackdown."

329. Akram, "Gaza's Economy Suffers from Egyptian Military's Crackdown."

330. GISHA, *As a Result of Restrictions at Rafah: Erez Crossing Serves as Main Gateway Out of Gaza* (Tel Aviv: Legal Center for Freedom of Movement, October 20, 2013), online at http://gisha.org/updates/1965. According to *Ahram Online*, the Egyptian authorities had closed the Rafah crossing for at least 10 consecutive days in November. See "Egypt Border Closure Disregards Palestinian Suffering: Hamas," *Ahram Online*, November 13, 2013, online at http://english.ahram.org.eg/News/86672.aspx.

331. See UNRWA, *Socio-economic Developments* (September 2012), p. 11. Figures are as of this writing in 2014.

332. Sara Roy, *The Gaza Strip: The Political Economy of De-development*, 2d ed. (Washington, DC: Institute for Palestine Studies, 1995, 2001, 2004), p. 128.

333. Global Humanitarian Assistance, *West Bank and Gaza Strip*, country profile, 2012, online at http://www.globalhumanitarianassistance.org/countryprofile/palestineopt. Also see Jim Zanotti, *U.S. Foreign Aid to the Palestinians* (Washington, DC: Congressional Research Service, September 23, 2013), online at http://fpc.state.gov/documents/organization/217502.pdf; and Jim Zanotti, *U.S. Foreign Aid to the Palestinians* (Washington, DC: Congressional Research Service, July 3, 2014), online at https://www.fas.org/sgp/crs/mideast/RS22967.pdf.

334. Roy, *The Gaza Strip*, 2d ed., pp. 129–30.

335. Meron Benvenisti, "The Inevitable Bi-national Regime," trans. Zalman Amit and Daphna Levitt, Hebrew original published in *Ha'Aretz* (January 22, 2010), translation posted by the Palestine Center, Washington, DC, January 27, 2010, online at http://www.thejerusalemfund.org/ht/display/ContentDetails/i/8954/pid/895.

336. By allowing Gaza needed access to raw materials and capital inputs and to its traditional and natural markets, Gaza producers could diversify towards higher value added products, and reduce production and transaction costs, making exports more competitive internationally and locally. UNSCO, *Palestinian State-Building at Stake*, p. 13.

337. Barak Ravid, "EU Orders Member States: Exclude West Bank Settlements from Any Future Deals with Israel," *Ha'Aretz*, July 16, 2013, online at http://www.haaretz.com/news/diplomacy-defense/eu-orders-member-states-exclude-west-bank-settlements-from-any-future-deals-with-israel.premium-1.535952; and Harriet Sherwood, "EU Takes Tougher Stance on Israeli Settlements," *Guardian*, July 16, 2013, online at http://www.theguardian.com/world/2013/jul/16/eu-israel-settlement-exclusion-clause.

Sherwood writes, "The EU guidelines will prohibit the issuing of grants, funding, prizes or scholarships unless a settlement exclusion clause is included. Israeli institutions and bodies situated across the pre-1967 Green Line—including the Golan Heights, occupied by Israel in 1967 and later annexed—will be automatically ineligible."

338. European Union, *Commission Notice—Guidelines on the Eligibility of Israeli Entities and Their Activities in the Territories Occupied by Israel since June 1967 for Grants, Prizes and Financial Instruments Funded by the EU from 2014 Onwards*, July 2013, para 3, online at http://eeas.europa.eu/delegations/israel/documents/related-links/20130719_guidelines_on_eligibility_of_israeli_entities_en.pdf.

339. Rami Khouri, "Development *with* Sovereignty."

340. Jewish Virtual Library, *Moshe Dayan's Eulogy for Roi Rutenberg (April 19, 1956)*, online at http://www.jewishvirtuallibrary.org/jsource/Quote/dayanq.html. For an interesting analysis of the eulogy and its current relevance see Aluf Benn, "Doomed to Fight," *Ha'Aretz*, May 9, 2011, online at http://www.haaretz.com/misc/article-print-page/doomed-to-fight-1.360698.

341. Closed conference, Jerusalem, Fall 2010.

342. From a poem written by Almog Behar to Mahmoud Darwish in Nurit Peled-Elhanan, "The 45th Birthday of the Occupation," *Occupation Magazine*, June 9, 2012, online at http://www.kibush.co.il/show_file.asp?num=53383. The full poem reads:

To my brother Mahmoud Darwish: who made our history conflicted
And placed me among the high towers
Standing watch over the heavy gates of Gaza
Observing the windows of houses through the sights of rifles?
Who erected between us walls of concrete and iron and the eyes of cameras
And divided us into conquerors and conquered
When we should be brothers?

PART I:

History

INTRODUCTION

The Gaza Strip and the Question of Development

In the forty-five years since it became an internationally recognized entity, the Gaza Strip has been called "the forgotten man of the Middle East," "the stepchild of the West Bank," "the black hole of the Arab world," and "Israel's collective punishment." Since its creation, this tiny, artificial entity has known only one political reality—occupation—and two occupiers—Egypt and Israel. The Gaza Strip is the only part of Mandatory Palestine that was never incorporated into a sovereign state, and no Arab nation has ever claimed it as its own. Yet Gaza has remained a critical part of the Palestinian-Israeli conflict: Gaza was where the All-Palestine Government was established in 1948, where the Palestinian uprising (intifada) began in 1987, and where limited self-rule for the occupied territories began in 1994.

Despite its contentious and distinctive history, Gaza has consistently been neglected by Middle East scholars, both Arab and non-Arab. The reasons for this neglect have to do with Gaza's tiny size, weak political culture, and modern historical obscurity. Instead, scholars have treated Gaza as an analytical appendage of the much larger and more widely studied West Bank. However, it is important to examine the Gaza Strip as a separate entity because the Strip, perhaps more than any of the territories occupied by Israel, provides a stark clarification of the intentions as well as the consequences of Israeli policy. Gaza reveals poignantly the lineament and the texture of Israel's occupation, its harsh exterior and banal underside, its unique form and particularistic substance. Gaza dispels the myriad myths and illusions consistently invoked to legitimize Jew-

ish control and depicts the bleakness of a future in which that control is allowed to persist. Given the latest breakthrough in Palestinian-Israeli relations, the signing of the Gaza–Jericho Agreement, in which Israel and the PLO agreed to implement partial autonomy in the Gaza Strip and in the West Bank town of Jericho, the need to understand Gaza has never been greater.

Gaza's Economy since 1967

The objective of this study is to analyze systematically the impact of Israeli occupation policy on economic development in the Gaza Strip. As background to the study of Gaza's post-1967 development, the study also traces the political and economic history of the Gaza region. The study explores why, after a decade of rapid economic growth, marked improvements in the standard of living, and substantial international assistance, the Gaza Strip remains one of the most impoverished, underdeveloped regions in the world.

In this study, development is defined as a process of widespread structural change and transformation at all levels of society: economic, social, cultural, and political. It is as much about enhancing the productive performance of the economy to satisfy basic human needs as it is about increasing political freedom and the range of human choice through the elimination of servitude and dependency. However, given the profound economic content of Israel's occupation policy as well as the availability of longitudinal data, development, as measured by the degree of structural change, will be viewed largely through an economic lens. Where applicable, social, cultural, and political factors will be discussed as well.

The central argument of the book is that the relationship between Israel and Gaza is unusual and lies outside existing development paradigms. Instead, this relationship is characterized by an economic process specific to Israeli rule, a process that could be characterized as *de-development*. De-development, it is here asserted, is the deliberate, systematic deconstruction of an indigenous economy by a dominant power. It is qualitatively different from underdevelopment, which by contrast allows for some form, albeit distorted, of economic development. De-development is an economic policy designed to ensure that there will be no economic base, even one that is malformed, to support an independent indigenous existence.

The distinction between underdevelopment and de-development, a distinction that underlies many of the arguments in this study, turns on the specific goals and objectives of the colonizing power. Israel, which meets the four main criteria for settler states (as described in chapter 5), is nonetheless different in one key respect: For better or worse, Israel never sought to promote the interaction of Palestinian society with its own, and through such interaction, to educate and "enlighten" Palestinians. It did not even seek to exploit the Palestinians for economic gain, although that did occur. Rather, it sought primarily to dispossess the Arabs of their economic and political resources with the ultimate

aim of removing them from the land, making possible the realization of the ideological goal of building a strong, exclusively Jewish state. The State of Israel was never interested in immediate economic gain from the Palestinians or in keeping the Palestinians in an easily exploitable economic role. Indeed, although Israel built infrastructures relevant to its own economic and political interests, it did not allow the Arab population to interact with these structures or create a token Palestinian business class.

Israel's particular form of settler colonialism has not treated the occupied Gaza Strip and West Bank as separate colonial areas to exploit in the usual settler fashion (i.e., by creating structures that relate to and generate profit for the home state), but has integrated Palestinian resources and labor into Israel as a mechanism to hasten the full incorporation of the land and other economic resources into the Jewish state. In this sense, the economic exploitation of the Palestinians did occur but for goals that were principally political, not economic. Moreover, Israel's ideological and political goals have proven more exploitative than those of other settler regimes, because they rob the native population of its most important economic resources—land, water, and labor—as well as the internal capacity and potential for developing those resources. Thus, not only is the native population exploited economically, it is deprived of its means of livelihood and potential, its national identity, and its sovereignty. This, of course, has had pronounced implications for the indigenous development of the Gaza Strip and West Bank. In the Gaza Strip, it has resulted in de-development.

The study will answer the following questions: How much economic damage has Israeli policy actually caused, and how much good has it done? What has Gaza lost as a result of Israeli rule, and how has it benefited? What was Gaza never allowed to have? How developed or underdeveloped was the Gaza District before Israel assumed control? Is the underdevelopment of the Palestinian economy attributable to the "natural poverty" of the Arab people and the regressive policies of previous Arab occupiers, as Israel has argued? Or was the Gaza region so debilitated and backward that even the most advanced Israeli measures would have failed to promote any substantive economic change or meaningful economic development?

The literature on development theory fails to explain the lack of economic development in the Gaza Strip, let alone describe or even allow for a process of de-development.[1] Existing theories largely relate to former colonies that have gained or will gain majority control and offer some ideas on the difficulties of achieving economic development even within the context of political independence. Chapter 5 provides a brief overview of the general conceptual weaknesses of some of these theories and the reasons they fail to explain the economic situation in Gaza.

The study argues that despite the economic benefits that have accrued to the Gaza Strip as a result of its interaction with Israel, Israeli policy in the Strip has been guided by political concerns that not only hindered but deliberately

blocked internal economic development and the structural reform upon which it is based. This study maintains that Israeli control in the occupied territories is motivated not by labor integration, market dependency, or physical infrastructure per se, but by the political imperatives of Jewish sovereignty and the military force needed to achieve them. (Arguably, the establishment of limited self-rule in the Gaza Strip may represent an extension of this policy, albeit in a different form.) That is why, for example, the government of Israel has never articulated a development plan for the Gaza Strip or the West Bank, or why official Israeli investment in Palestinian industry and agriculture has consistently been negligible. Rather, through its policy, the government of Israel has structurally and institutionally dismantled the Palestinian economy as well as undermined the fabric of Palestinian society and the expression of cultural and political identity. The economy is but one (critical) reflection of this phenomenon.

The primacy of political ideology over economic rationality in Israeli policy (an approach that has its roots in the development of the Jewish economy during the British Mandate) has not only precluded the development of the Palestinian economy but those attempts, both indigenous and foreign, to promote such development. This reality is most acute in the Gaza Strip, where the extent of Israeli control has always been greater and the impact of Israeli policy more extreme than it was in the West Bank. The implications of this for the promotion of economic development under conditions of partial autonomy are discussed in the concluding chapter.

Although Israel is the dominant power in Gaza, it has not been and is by no means the only actor influencing the nature of development activity. The Palestine Liberation Organization (PLO) and other Arab regimes also have had a marked impact on the character of economic activity inside the occupied territories, as have other foreign assistance donors, including the European Economic Community (EEC). Their policies are briefly examined in this study.

The subordination of economic factors to ideological and political imperatives in official approaches to the Gaza Strip has posed some quixotic dilemmas for Palestinian development under Israeli occupation: What, if anything, can Palestinians do to resist Israeli policies, particularly when they have little or no control over their own resources, and where appeals on the basis of economic rationality do not hold much strategic weight? What kind of change is possible in a context where, for largely political reasons, Israel is unwilling to allow, let alone promote, those economic activities that would not only benefit the Palestinian economy, but its own economy as well? Can indigenous development ever be initiated in the Gaza Strip? If so, what are its pitfalls? Does the Gaza–Jericho Agreement with its promise of self-rule represent a real departure from past trends, or is it merely a new guise for a fundamentally unchanged structure of occupation?

The question of whether Palestinian economic development is attainable or should even be pursued under Israeli occupation is an extremely sensitive

one for both Palestinians and Israelis. Perhaps that is why only a handful of studies deal with this question. Even raising the question incurs political risks for both sides. For Palestinians, it runs the risk of acknowledging the political status quo, normalizing relations with the occupier, and admitting that a political solution other than an independent Palestinian state might be acceptable, though on a temporary basis. For Israelis, it risks acknowledging the legitimate right of the Palestinian people to their own economic development apart from their role as auxiliaries to the Israeli economy. Hence, Israel would have to acknowledge the possibility of an independent Palestinian economy, and most objectionable of all, an independent Palestinian state. Even Israel's acceptance of limited self-rule in the Gaza Strip and Jericho does not as yet represent such an acknowledgement.

Over the course of the occupation, Palestinian literature (and in particular the writings of the PLO) dealt with the West Bank and Gaza as a political question in need of a political solution. Palestinians have not addressed the importance of development and its critical relationship to political change, let alone the articulation of development strategies. Indeed, the Palestinians do not have a coherent development strategy toward the occupied territories.[2] The possibilities created by the Gaza–Jericho Agreement may lead to the articulation of a coherent development strategy for the occupied territories; at present, however, no such strategy is apparent.

Similarly, Israeli political and academic literature has viewed the West Bank and Gaza Strip through the political lens of the Palestinian national movement, as state security concerns or as appendages of the dominant Israeli economy. Economic development inside the occupied territories has been addressed rarely (if ever).[3] A small body of international work has dealt with economic conditions inside the West Bank and Gaza Strip and, to a lesser degree, with the economic viability of a Palestinian state. However, this literature has been restricted largely to formal economic studies of the Palestinian economy (with little if any discussion of external economic relations), much of it devoid of political or nationalist considerations, and to studies that primarily (and often exclusively) describe the impact of Israeli policy on the West Bank economy.[4] Again, the question of development under prolonged occupation has not been seriously considered in any of these studies. By examining the impact of Israeli, Palestinian, and Arab policies on the economic development of the Gaza Strip and the unique dynamics and constraints that characterize this particular environment, this study defines a new variation of development, that is, de-development.

This book is divided into three parts: a political and economic history of the Gaza region and Gaza Strip; Israeli occupation and de-development; and Gaza's future. Part I is divided as follows: Chapter 1 introduces the Gaza Strip and provides an overview of key sectors. Chapters 2–3 discuss the historical antecedents of Palestine's economic development in general and Gaza's economic development in particular. In these chapters the argument is made that

the current state of the Gaza Strip economy can be traced back to its economic past and must therefore be understood in relationship to that past. Chapter 2 looks at political and economic developments in Palestine and Gaza during the British Mandate, and argues that the conditions of underdevelopment, commonly attributed to the "natural poverty" of Palestinians and to the regressive policies of occupying Arab governments, are in fact deeply rooted in the complementary policies of the British Mandate and the Zionist national movement. The relationship between the Arab and Jewish communities that evolved during this period provided a political, economic, and philosophical template for Israeli occupation policy. Chapter 3 details the Gaza economy during the Egyptian period and describes the defining contextual features of this period for local economic development. Chapter 4 provides a political history of Israeli occupation as a context within which to view economic developments.

Part II is divided as follows: Chapter 5 discusses the conceptual framework of this study by reviewing different theories and paradigms of development to illustrate the ways in which Palestinian development is unique. In this chapter it is argued that under Israeli rule a new process, de-development, emerged. De-development and its components are defined, and it is distinguished from the process of underdevelopment. Chapter 6 discusses Israel's policy framework for economic growth in the Gaza Strip. Chapters 7 to 9 provide the structural context for economic de-development in the Gaza Strip and analyze the impact of Israeli policy on the indigenous economy. Chapter 7 focuses on the first component of de-development, expropriation and dispossession, and those sectors where this policy has been applied. Chapter 8 discusses de-development's second component, integration and externalization and its sectoral illustrations. Chapter 9 looks at the process of deinstitutionalization, the last component of de-development. Critical constraints to the development process are analyzed, and the context for economic growth and development is defined. The impact of Palestinian and Arab strategies on local development is discussed, and the role of foreign assistance is examined in terms of its ability to overcome the structural and institutional inequities created under occupation and to foster local development.

Part III consists of two chapters: Chapter 10 provides a political context and analyzes the economic impact of the Palestinian uprising on the Gaza Strip. The intifada is analyzed both as a response to and a departure from previous socioeconomic and political patterns. Its contributions to the formulation of an indigenous development strategy are also discussed. Chapter 11 assesses the economic and developmental impact of the Gulf War and the March 1993 closure on the Gaza Strip.

Part IV, the conclusion, looks to the future and discusses the Gaza–Jericho Agreement. The chapter analyzes whether the implementation of limited self-rule in the Gaza Strip as defined in the Declaration of Principles can arrest de-development.

Research in and on the Gaza Strip: Some Methodological Notes

There are many methodological difficulties in conducting research on the Gaza Strip. Some of these problems should be identified so that the reader can determine the strengths and weaknesses of the data being presented.

First, the Israeli government prohibits the disclosure of information dealing with the occupied territories. Employees of Israeli governmental and nongovernmental offices, are unable and often unwilling to release information on the Gaza Strip and West Bank, and numerous requests by the author to obtain information were denied. In particular, data relevant to the study of economic development, such as sector surveys and master plans, are simply impossible to obtain. Official procedures do exist for securing the release of some kinds of information, but such procedures, which require permission from the appropriate government ministry, can drag on for months or years with no guarantee of approval. With the onset of the intifada, reliable data became even more difficult to obtain, particularly from official sources.

Second, the data that are available are often unreliable. For example, the last official census of the Gaza Strip and West Bank was conducted in 1967. Official population statistics and demographic predictions are based on 1967 figures, which makes them questionable at best. Israel's Central Bureau of Statistics (CBS) publishes what is probably the most comprehensive compendium of statistics on the occupied territories. Although most of the CBS data are economic, information about other sectors is also available. One problem with the CBS data is that they are based on a national accounting system for the territories that has no territorial basis. Consequently, economic interaction between two adjacent localities—an Israeli settlement and a neighboring Palestinian town—is considered international trade. The lack of monitoring and control of daily economic exchanges between Israel and the territories further underlines the unreliability of statistical data.[5]

Officials have also indicated that with the outbreak of the intifada, field studies in the territories virtually ceased for one to two years. In 1990, one official at the Bureau openly admitted, "I wouldn't trust much of the data we have, particularly since the intifada. Our researchers are too scared to go into the field."[6] Those same officials warned this author to treat the published data with extreme caution.

Third, official data critical to the study of economic development—for example, an up-to-date population census or planning (e.g., manpower) data—simply do not exist even among Palestinian researchers. Accurate and systematic Palestinian statistics are often impossible to acquire. Even PLO sources on the occupied territories rely heavily on Israeli statistics. The lack of a substantive database on the Gaza Strip is due to several factors, including military orders restricting Palestinians from engaging in many forms of research and a weak institutional infrastructure incapable of supporting research. Given the political constraints on the exchange of information, those Palestinian studies

and data that do exist on Gaza are often difficult to obtain, particularly from municipalities, unions, and other local economic institutions, because many are vulnerable to retribution by government authorities.

A fourth problem regards the underuse and inaccessibility of data produced by international (e.g., United Nations Relief and Works Agency [UNRWA], International Committee of the Red Cross) and foreign agencies such as nongovernmental agencies (NGOs) and private voluntary organizations (PVOs) that work in the occupied territories. These agencies do not share information. To the contrary, they are extremely territorial about their information and reluctant to release it.

A fifth problem is data interpretation. On a subject as contentious as Palestinian-Israeli relations, conclusions are often a function of the researcher's biases. The charge of political bias persistently confronts the researcher working in the Middle East. There is no such thing as a totally objective researcher; there is, however, research that attempts to be objective. This book falls into that category.

In conclusion, there may be no absolutely reliable set of statistics on the Gaza Strip. How does this problem affect any attempt, including the present one, to write about the territory? It demands that the author seek information from as many different and opposing sources as possible, seek disconfirming information as a means of testing the validity of different facts and assumptions, and triangulate as much data as possible. All these methods were used in this study.

Notes to Introduction:

1. It should be mentioned that although the focus of this study is on the Gaza Strip, many points apply to the West Bank as well.

2. Just prior to the initiation of the October 1991 Middle East peace talks, the Economic Department of the PLO and the United Nations Conference on Trade and Development (UNCTAD) each undertook studies planning for the future Palestinian economy across sectors and under different political scenarios. In addition, several smaller studies were prepared by various organizations in the occupied territories during the last two to three years.

3. A notable exception has been the work of Meron Benvenisti and the West Bank Data Base Project. For example, see his study entitled *U.S. Government Funded Projects in the West Bank and Gaza (1977–1983) (Palestinian Sector) Working Paper #13* (Jerusalem: The West Bank Data Base Project, 1984).

4. For example, see Brian Van Arkadie, *Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies since 1967* (New York: Carnegie Endowment for International Peace, 1977); Elias Tuma and Haim Darin-Drabkin, *The Economic Case for Palestine* (London: Croom-Helm, 1978); and Vivian A. Bull, *The West Bank: Is It Viable?* (Lexington, MA: Lexington Books, 1975).

5. Meron Benvenisti, *1986 Report: Demographic, Economic, Legal, Social and Political Development in the West Bank* (Jerusalem: West Bank Data Base Project, 1986), p. 5. Sarah Graham-Brown also discusses the problems of conducting research in the occupied territories in *Occupation: Israel Over Palestine*, ed. by Nasser Aruri (Belmont, MA: Association of Arab-American University Graduates, 1989), pp. 298–300. Also see the preface in Van Arkadie, *Benefits and Burdens*.

6. Author's conversation with an official in the Central Bureau of Statistics, Jerusalem, 1990.

1

The Gaza Strip Today: An Overview

The tiny Gaza Strip is an area of extreme, almost impenetrable complexity—geographic, demographic, economic, social, political, and legal. Geographically, it lies wedged between two larger, more powerful countries, Egypt and Israel, both of which have ruled over it in turn. Demographically, it is an area with one of the highest population densities in the world. Two-thirds of the residents are refugees, and nearly half are younger than fourteen years of age. Economically, Gaza remains weak and underdeveloped and at present has virtually no economic base. Socially, the residents of the Gaza Strip consist of three historic groups: urban, peasant, and bedouin. In 1948, the influx of 250,000 refugees irrevocably altered the social structure of the area. Politically and legally, the territory has been under Israeli military occupation since 1967 and was under Egyptian occupation before that. All forms of political activity are prohibited, and the law is defined by more than 1,000 military orders; no one in the Strip carries a passport; everyone is stateless; and no one can leave the territory without permission from the Israeli military authorities.

This chapter introduces the reader to the variations and complexities that characterize the Gaza Strip.

Geography

The Gaza Strip is a roughly rectangular coastal area on the eastern Mediterranean, 28 miles long, 4.3 miles wide at its northern end, 7.8 miles wide at its

southern end, and 3.4 miles wide at its narrowest point. It encompasses a total area of approximately 140 square miles. Bordered by Israel on the north and east, Egypt on the south, and the Mediterranean Sea on the west, the Strip's geographical boundaries have remained virtually unchanged since its creation in 1948.

At first, the visitor to Gaza is struck by the dramatic juxtaposition of a serene Mediterranean coastline with teeming poverty and squalor. The Strip appears to be sand rather than soil; however, the aridity of Gaza's sprawling gray desert is punctuated throughout by pockets of lush, green vegetation. The area's seeming barrenness belies remarkable fecundity.

Gaza's considerable topographic variation starts in the northern third of the Strip, a part of the territory belonging to the red sands of the Philistian Plain, and ends in the southern two-thirds, an area (south of Gaza's main watercourse, the Wadi Gaza) considered to form a part of the more fertile sandy loess of the northern Negev coast. Gaza has three narrow, distinct bands of land that extend the length of the territory: a wide belt of loose sands in the west, running from the shoreline to a sand dune ridge 120 feet above sea level; a central depression with highly fertile alluvial soils; and a sandstone ridge in the east extending into the northern Negev.[1] These bands have long shaped agricultural activity and settlement patterns in the Strip.

Gaza City, the largest in the territory, is situated at 31°31' latitude and 34°26' longitude. It rises 132 feet above sea level and belongs to the Coastal Plain, one of four climatological regions in the country. Stretching from Gaza to Acre along the coast and southeast to the Plain of Esdraelon, the Coastal Plain is distinguished by its proximity to the sea, its hot and humid summers (mean summer temperatures of 24–27 degrees Centigrade), and damp and chill winters (mean winter temperatures of 13–18 degrees Centigrade).[2]

History

In the earliest available reference to Gaza, it is described as a Canaanite city-state dating from 3200 B.C., making it one of the oldest cities in the world.[3] Gaza's present debilitation seems antithetic and paradoxical when viewed against its remarkable history of resilience and growth. The city of Gaza (and its environs) experienced a continuous succession of conquerors and occupiers beginning with the Egyptian pharaohs and ending with the Israeli army. From its ancient beginnings down to the present day, the city of Gaza has been attacked and destroyed, and its population enslaved and expelled, by a succession of invaders—Israelites, Egyptians, Assyrians, Scythians, Babylonians, Persians, Romans, Muslims, Crusaders, Mamelukes, Ottomans, British, and Israelis—struggling for its control.

Gaza's contentious history has clearly been shaped by its geographic position. Gaza was of crucial importance to the ancient conqueror attempting to invade Egypt from the north or Palestine from the south. Situated on the *Via*

Maris,[4] a road that ran from Egypt along the coast of Palestine and Phoenicia (with a branch leading eastward to Damascus and Mesopotamia), Gaza also served as a critical commercial link between Egypt and other ancient empires and was considered the southern counterpart of Damascus. Gaza was the key commercial outpost and provisioning center for caravans traveling between Asia and Africa. Whoever controlled Gaza, therefore, could shape the nature of interregional trade at the time.[5] A noted historian, Martin A. Meyer, wrote "...as long as the center of history remained in the Mediterranean world, the fate of nations was mirrored in that of this solitary city."[6]

Prior to 1948, the Strip had no territorial demarcations but was part of the southern district of Mandatory Palestine.The declaration of Israeli statehood in May 1948 precipitated not only the birth of the Gaza Strip, but also its defining social and economic feature, the Palestinian refugee problem. Within days of its geographic delineation, the territory was besieged by 250,000 refugees fleeing the war in Palestine. The Strip's population increased over fourfold almost overnight, and the internal dynamics of the territory were altered forever.

Demography

The Gaza Strip is one of the most densely populated regions in the world. By 1993, it was home to about 830,000 people, the overwhelming majority of whom (99 percent) are Sunni Muslim Arabs. There is also a tiny minority of Arab Christians, mostly Greek Orthodox. About 70 percent of Gazans—583,000 people—are refugees of the 1948 war and their descendants. Over half of the refugees still live in camps; the remainder reside in local villages and towns.[7] The annual population growth rate in Gaza is 4 percent, one of the highest in the developing world.

When calculated on the basis of Arab-owned land alone, Gaza's population density exceeds 12,000 people per square mile, which surpasses the density levels of many major American cities. The density levels in the refugee camps are far higher: Jabalya, the largest camp, has a population density equivalent to 133,400 people per square mile, over twice that of Manhattan Island. Population density in Israel, by contrast, is 80 people per square mile.[8]

Gazans live in 13 cities and towns. The five largest and most populous centers are Gaza City, Khan Younis, Rafah, Jabalya, and Deir el-Balah.[9] Population figures for these cities (cited below) include residents of adjoining refugee camps that are located within municipal boundaries.

Gaza City (population 292,999[10]) is by far the largest urban area in the Strip. Indeed, Gaza has retained the largest Arab population of any city in the former Mandate since 1948. Established as a municipality in 1893, Gaza City today encompasses several different quarters, sections, and communities once entered through seven different gates.[11] The city's population explosion and shrinking land resources have placed poverty literally next door to privilege. For example, since 1948, Rimal, a comparatively plush suburb, and the Shati

refugee camp have grown incongruously close to each other. In more recent times, Gaza City has also spread to include previously separate communities and housing developments.

Khan Younis (population 160,463) is the Strip's second largest city, a status it has retained since its founding in the fourteenth century by Younis, a Mameluke governor.[12] Situated in the southern half of the Strip, Khan Younis, like Gaza, historically served as an important trade and communications center. It received municipal status in 1912. Since 1945, the population of the city has grown almost eightfold and it has become the second subdistrict capital.

Rafah (population 101,926), south of Khan Younis on the desert's edge, is the third largest city in the Gaza Strip. Nearly as old as Gaza itself, Rafah suffered total physical destruction at the hands of a foreign power on more than one occasion, including the invasion of the Crusaders in the twelfth century. Thereafter, population dwindled until the beginning of this century. It picked up again in earnest during the Mandate period and rose dramatically after 1948.

The fourth largest population cluster in the Gaza Strip is Jabalya, whose popular constituency of 94,710 people also includes the once separate locality of Nazla as well as the Jabalya refugee camp. Located in the lower northwest corner of the territory, Jabalya (which the Israeli authorities still classify as a "village") is an extremely overcrowded town whose population density is exceeded only by that of the neighboring refugee camp. The camp population of 66,710 has spilled into the town, and the municipal services provided by the local village council are increasingly inadequate. The influx of refugees in 1948 also had a dramatic impact on local population growth. In 1945, the town of Jabalya/Nazla alone had only 5,000 residents.

Deir el-Balah, or "the monastery of the dates," is the Strip's fifth largest area, with 38,000 residents. Its location just a few miles south of Gaza City gave it a strategic significance that was not lost on an array of foreign conquerors. During the Muslim conquest of southern Palestine, Deir el-Balah became the site of a fortress, and later, during the Crusades, an important military post.

In addition to these large urban centers, there are eight smaller towns and villages (listed in Table 1.1).

Table 1.1. Estimated Population of Villages and Refugee Camps in the Gaza Strip, 1992

Village	*Population*	*Refugee Camp*	*Population*
Beit Hanoun	17,000	Jabalya	67,000
Beit Lahiya	20,000	Rafah	62,000
Bani Suhalia	20,000	Beach	52,000
Abasan el-Kabira	9,000	Khan Younis	43,000
Abasan el-Saghira	3,000	Nuseirat	35,500
Khuza'a	4,500	el-Bureij	22,500
Qarara	15,000	el-Maghazi	15,000
Zawaida	10,000	Deir el-Balah	12,400

Of UNRWA's eight refugee camps only Nuseirat, el-Bureij, and el-Maghazi have been allowed to form their own local committees, a category designed to recognize United Nations jurisdiction over refugee housing. These three camps, also known as the middle camps because of their geographic location in the center of the Gaza Strip, are the only ones that are not next to or conjoined with a "major" urban locality (e.g., Shati camp in Gaza, and refugee camps in or near Jabalya, Deir el-Balah, Khan Younis, and Rafah). Table 1.1 provides a population breakdown by camp.

The Gaza Strip is also home to 4,000–5,000 Israeli settlers. Competition over land and water has created considerable hostility between the Palestinian population and the Jewish settlers.

Settlement Patterns

Population centers have always clustered in the central band where the fertile alluvial soils confer clear agricultural advantage. This settlement pattern arose in part due to the linear axis of the ancient Via Maris, the territory's main communications highway, which passed through the central depression and stimulated commerce and employment. Furthermore, settlement in these plains was not as problematic as elsewhere in the country, because there were no swamps.[13]

Since 1967, settlement patterns have been shaped to a far greater degree by Israeli government policy than by any natural resources or commercial trends. The Israeli government has directly confiscated or otherwise assumed control of at least 50 percent of Gaza's land, large portions of which are allocated to the establishment of sixteen Jewish settlements spread across the entire length of Gaza's coastline. Although they comprised one-half of 1 percent of the territory's total population in 1993, Israeli settlers were allotted, per capita, 84 times the amount of land allotted to Palestinians, and they consumed nearly 16 times the amount of water.[14]

To support this massive land confiscation, the government placed myriad restrictions on Arab land acquisition and water use. The combination of declining land resources, escalating land prices, and massive population growth has resulted, in the past decade, in a new phenomenon: the emergence of the outlying community.

At least forty-one outlying communities have already been established. They comprise 10 percent of the Strip's population and lie on 37 percent of its total land area. Small and completely unplanned, these communities are located outside municipal and village boundaries. Many receive no basic services at all, not even water. The typical community consists solely of one family or clan that left a refugee camp or found survival too difficult in a city. Residents engage in simple agriculture and live on a subsistence basis. For many, life is quite harsh and even primitive. Housing may consist of canvas tents or multiroomed cement structures. The population of these small communities

ranges from 300 to 6,000. Average family size, however, is quite large, with the smallest consisting of eight people and the largest of fifteen. The number of families living in each of these communities ranges from 20 to 500.[15]

Future settlement in the Gaza Strip will likely occur in the rural areas in the form of these unchecked and unplanned communities. Indigenous development efforts have long neglected these areas but can no longer afford to do so, especially as they expand to encompass over 40 percent of Gaza's territory.

Economy

Prior to 1967, Gaza's economy was weak and underdeveloped despite some limited growth and sectoral expansion. Highly dependent on external sources of income, the economic infrastructure was rudimentary and markets were not integrated. The service sector accounted for the largest share of gross domestic product (GDP) (55.2 percent), followed by agriculture (34.0 percent), construction (6.2 percent), and industry (4.2 percent). Gaza's balance of trade was marked by a huge deficit, where imports exceeded exports almost 3 to 1. In 1966, the total gross national product (GNP) of the Gaza Strip and West Bank combined equalled only 2.6 percent of Israel's GNP. Gaza's GNP, moreover, totalled just 20 percent of the West Bank GNP, and per capita income stood at less than half the West Bank's. On the eve of Israeli occupation, the economy of the Gaza Strip was characterized by a preponderance of services, an agricultural sector devoted almost exclusively to citrus, an industrial sector of marginal importance, a high level of private consumption, and a low level of investment in resources. Per capita GNP ranged from $78 to $106 per annum (see chapter 3).

The occupation of the Gaza Strip brought the Strip's small and unorganized economy into direct contact with Israel's highly industrialized one. Since 1967, the Gazan economy has undergone specific changes, the most significant of which is the employment of Gaza labor inside Israel. Between 1970 and 1987, the number of Gazans crossing the green line, the border between Israel and the occupied territories, grew from 10 percent of the total labor force to at least 60 percent.[16] Wage income earned in Israel did a great deal to stimulate domestic economic growth, especially in the first decade of occupation, by increasing demand in the domestic economy. However, increases in GNP, which were largely attributable to external payments in the form of salaries earned in Israel and foreign remittances, fostered extreme economic dependency at the cost of internal economic development. Contributing only 2 percent to GNP in 1968, external payments increased to 42 percent of GNP in 1987, revealing the weakness of Gaza's internal economy and the lack of structural growth. By 1987, Gaza's economy equalled only 1.6 percent of Israel's GNP (dropping to 1.0 percent by 1992), wheras the combined GNP of the occupied territories had reached only 6.7 percent of Israel's GNP.[17] (See chapters 7–9.)

Social and Political Structure

The residents of the Gaza Strip fall into a variety of crosscutting, seemingly maze-like categories that confound as much as they clarify. Foremost is the social division between groups of different origin: refugees,[18] indigenous Gazans, and bedouin.

The majority of Gaza's refugees live in eight squalid and overflowing camps on sites first claimed by their forefathers in 1948. The remainder live elsewhere in the Strip. The organizational and social basis of camp life is the pre-1948 village of origin. When the refugees left their homes and fled to Gaza in 1948, whole villages, particularly from the coastal areas north of Gaza, were uprooted and transplanted to the Strip.[19] Refugees remained with their relatives and townsmen. As a result, even today, the camps are divided into district quarters, each with its own *mukhtar*, or leader, which preserve the original village framework. Refugees in the camps, even the youngest among them, identify themselves as members of villages that they have never seen, but that they nonetheless can describe in meticulous detail. Even those who live outside the camps feel little allegiance to or identification with the Gaza Strip, despite a steady though incomplete process of interaction and integration. To be a refugee, therefore, is much more than an expression of political status; it is an intimate and indivisible expression of self.

Alongside the refugee community, there are the indigenous Gazans. This social class is distinguished by its lineage, the majority being direct descendents of the territory's pre-1948 residents, and by its power, which, to limited degrees, expressed itself politically. The most prominent are Gaza's small but wealthy elite, composed primarily of landowning families who have traditionally depended on export trade for their income. Other indigenous residents are Gaza's tiny middle class and peasants. The relationship between indigenous inhabitants, especially the rich, and the refugee community has often been strained, even hostile. Disparate social backgrounds and economic conditions and conflicting political agendas have historically fuelled tensions.

Perhaps least understood is Gaza's small bedouin minority. Two tribal confederations with historical ties to the Gaza region still reside inside the territory: the *Hanajreh* and the *Tarabin*. The *Hanajreh* is the largest grouping in the central part of the Gaza Strip and includes five tribes known as Abu Middain, Nuseirat, Sumeiri, Abu Hajaj, and Abu Daher. Traditionally, these tribes planted barley and wheat and grazed their animals on tribal lands located in the central plains of Palestine. During the winter, they settled in the Gaza Strip, where each tribe cultivated additional areas. In 1948, many of the traditional lands belonging to the Abu Middain, Nuseirat, and Sumeiri tribes were incorporated into the Gaza Strip, which allowed them to live on their lands. Lands belonging to the Abu Hajaj and Abu Daher tribes, however, located east of the territory, were lost to Israel, forcing many to settle as refugees in Gaza. The Tarabin tribes were historically concentrated in the southern Strip, near Rafah, where they

engaged in trade and wage labor in addition to agriculture. After 1948, many settled on lands in the Rafah area. However, these lands were sorely inadequate for their needs, so those bedouin became refugees and settled in Rafah camp.[20]

Whereas group of origin is a major dividing line in Gazan society, social class is less significant. The reason is that the economic dislocations created in 1948 and 1967 wrought social dislocations that affected all Gazans, although the poor suffered much more than the wealthy. Moreover, the distortion of Gaza's economy—particularly after Israeli occupation, when droves of Gazans were heading to Israel to work—prevented the emergence and delineation of well-defined social classes.[21] Nonetheless, certain class divisions do exist: the upper class—Gaza's landed aristocracy, capitalist farmers, and large merchants; small and tenant farmers or peasants producing for profit and subsistence; the petite bourgeoisie—professionals (such as academics, engineers, teachers, and UNRWA administrative staff) and entrepreneurs; and a working class drawn mainly from the marginalized refugee population.[22] These four classes have been markedly transformed under Israeli rule but have remained, to varying degrees, economically isolated from each other.

Perhaps the most dramatic development in the social structure of the Gaza Strip since 1967 has been the formation of distinct (though loose) political alliances across classes that were totally isolated from each other before 1967. Throughout the occupied territories, Israel's occupation forged alliances that were based almost exclusively on nationalist politics, in a common stand against the political and economic consequences of the occupation.[23] In Gaza, however, these alliances, which contributed to a kind of social cohesiveness among people, were largely unable to breach the economic isolation of social classes, because the occupation affected these groups differently.

The intifada, however, introduced changes that for the first time blurred class distinctions on a socioeconomic level. The political imperatives of the uprising, as well as the mass-based nature of its organization, devalued class-based distinctions and institutionally submerged them. Without question, two of the most important achievements of the intifada were the consolidation and unification of social classes and political factions around common national objectives, and the creation of an institutional structure designed to support and sustain popular unity. Opprobrious economic pressures, which in the early years of the uprising served to unite the population against Israeli policy, combined with the consistent absence of political progress, have taken their toll in the form of new social divisions, increased political factionalism, and interfactional violence. As Gazans become more and more impoverished, class divisions are reemerging along lines that no longer differentiate between upper, middle, and lower income levels, but between those who have some income and those who have none at all.

The confluence of forces inside Gaza has, for the most part, not produced disorder as one might expect, but a peculiar combination of social cohesiveness and political divisiveness. Social cohesiveness derives from a shared set of norms

and values, which serve an important integrative function. However, social cohesiveness breaks down in the face of political affiliation, an even more important form of organization in the Gaza Strip. Political divisions are perhaps the most pronounced and deeply felt. They cut across social class distinctions in surprising ways.

Everyone in the Gaza Strip is a political being. Politics directly and immediately influence daily life. Every action, no matter how banal, has political significance. Consequently, politics far transcends party membership or ideological conviction; rather, it assumes a deeply personal, almost primordial dimension that molds individual philosophy and shapes individual action in a profoundly intimate way. Thus, the divisions that characterize the political domain in the Gaza Strip represent much more than a simple difference of opinion; they differentiate one human being from another. One cannot understand Gaza without understanding its politics—not only what is said, but what is meant.

In the early 1900s, at least seven political factions and subfactions claimed the allegiance of Gaza's highly politicized population. Almost every Palestinian in the Strip claims membership in one or more of these categories, and this membership manifestly shapes the individual's worldview. These factions are Fatah, the Popular Front for the Liberation of Palestine (PFLP), the Democratic Front of the Liberation of Palestine (DFLP), the Palestine Democratic Union (FIDA), the Communists (now known as the People's Party), Hamas (otherwise known as Islamic Resistance Movement), and *al-Jihad al-Islami* (the Islamic Jihad). The primary definitional distinction between these seven factions is their position on the Israeli occupation. The first five espouse a secular, democratic ideology, and fall under the umbrella of the Palestine Liberation Organization (PLO). The last two are based on religious belief and remain distinctly outside the structure of the PLO. The division between these two blocs is fraught with tension and conflict and is most clearly expressed in the conflicts between Fatah and Hamas. Of the PLO factions, Fatah, Gaza's largest party, is the more centrist and moderate, and appears to have remained the most popular, despite considerable ebbs and flows. The the left of Fatah is the socialist PFLP, and then further to the left is the DFLP, a splinter of the Popular Front, and FIDA, a splinter of the DFLP.

Fatah first articulated its support for a two-state solution in 1973, and despite a long-held commitment to armed struggle as a means of attaining national self-determination, has clearly advocated political struggle as well. Despite its small size, the Popular Front has a strong and well-organized following inside Gaza, particularly in the more isolated, southern part of the Strip. The DFLP, FIDA, and the People's Party have tiny constituencies.

Of the two parties of the religious right, Hamas is the largest and most popular. Both Hamas and the Islamic Jihad espouse the same objective—the creation of an Islamic state in all of pre-1948 Palestine. However, they disagree on how to achieve it. Hamas believes that an Islamic state will emerge when

Palestinian society is de-secularized; to that end, it has emphasized internal and societal reform, not military struggle against Israel. The Islamic Jihad, on the other hand, rejects Hamas's reformist approach and holds that an Islamic state can only be created as a result of armed confrontation with Israel. *Hamas*, an acronym derived from the consonants of *Harakat al-Muqawama al-Islamiyya* (Islamic Resistance Movement), is the strongest Islamist force in Gaza, in part because the Israeli authorities destroyed many Jihad cells and deported Jihad leaders during the 1980s and 1990s. In local elections held in 1992 and 1993, Hamas won control of several organizations and unions, including the Gaza Association of Engineers, one of the most prominent and influential.

The Islamic movement is far stronger in Gaza than in the West Bank. By combining religion with a clear political agenda, Hamas and the Islamic Jihad provide an increasingly attractive and compelling alternative to secular nationalism. Their strength undoubtedly will grow in the 1990s, a pattern that can be found in other parts of the Arab world for many of the same reasons. The strength of Islamism is rooted in the territory's extreme poverty, isolation, and traditional social structure, and its growth has been nourished by a profound sense of popular despair over the steady disintegration of daily life and the consistent failure of the nationalist movement to achieve any political resolution to the Palestinian-Israeli conflict and to end the occupation.

With the first intifada, as repression heightened in Gaza, Hamas assumed a more militant tactical style. This change in Hamas strategy, if not policy, represented not only an attempt to increase popular support for the organization in its ongoing leadership struggle with the nationalist forces, but a response to the growing influence of the more militant and violent Jihad. With the inception of the Middle East peace process in October 1991, factional violence between Hamas (which opposed the initiative) and Fatah increased markedly. The signing of the Israeli-PLO Declaration of Principles in September 1993, which Hamas fiercely opposes, intensified existing divisions with Fatah and led to greater violence. Also significant is the opposition of the PFLP and DFLP to the agreement, which has caused serious and possibly irreversible fractures within the PLO.

Legal System

The growth of political violence in Gaza occurs, in part, because under occupation there is no legal system to which individuals and groups can appeal. Despite the implementation of limited self-rule in Gaza, the law of the land remains Israeli military law, which is completely separate from and independent of Israeli civil law. According to the terms of the agreement, all legal authority ultimately rests with the Israeli military government. Since 1967, nearly 1,000 military orders have been issued in the Gaza Strip. These orders, which have the weight of laws, regulate all activity in all areas of Palestinian life. In Gaza, only 70 military orders will be abrogated by the self-rule agreement.

The Israeli system of military law in Gaza is self-contained and is not accountable or subject to review by any Israeli governmental body. Palestinians have little effective recourse and the new Palestinian Authority has no power to challenge Israeli legislation in the Gaza Strip.[24] Israeli Jewish settlers, however, are not subject to this military legal system but are governed by Israeli civil law. Thus, settlers continue to enjoy all the rights, privileges, and protections of Israeli law, whereas Gazans enjoy none at all.

The foregoing discussion illustrates some of the complexities of the Gaza Strip, complexities that are invariably overlooked by scholars who fuse Gaza into the West Bank. However, the Gaza Strip is very different and should be examined separately.

Gaza Versus the West Bank

Most studies on the occupied territories focus on the West Bank because of its greater historical, political, religious, and geographical significance. The smaller, poorer, and far more isolated Gaza Strip is often appended to discussions of the West Bank simply by virtue of having been occupied by Israel at the same time. In fact, the differences between the two territories, though commonly overlooked, are significant.

The most obvious distinction is geographic. Gaza is small, circumscribed, and isolated; the West Bank is fifteen times larger, contiguous with another Arab state, Jordan, and exposed to external influence. Gaza's size and location make it easier to control than the West Bank. Gaza's borders are rarely crossed except by its own laborers; the West Bank's borders are far more open. Prior to the intifada, the West Bank received thousands of visitors annually, the Gaza Strip no more than 35.[25]

Socially, Gazans are far more traditional than West Bankers, whose continuous exposure to foreign visitors has bestowed a sophistication and worldview not often found in Gaza.

Demographically, the West Bank has about 700,000 more residents than Gaza.[26] However, given Gaza's substantially smaller size, higher fertility and lower mortality rates, lower rates of emigration, and larger refugee population, population density per square mile is at least fifteen times that of the West Bank.

The differences between the two territories go beyond geography and demography to the very fabric of social structure and political culture. In the Gaza Strip, the decisive majority are refugees and their descendants. In 1948, 250,000 men, women, and children flooded the Strip. They were completely severed from their previous lives in Palestine and alienated from their unfamiliar and grossly insecure surroundings. As a result, class realignments in the post-1948 period were superimposed almost instantly and with traumatic effect. The small size of the territory and its sharply limited resources precluded the refugees' economic absorption or integration. In response to their profound

dislocation, the refugees turned inward. They clung to traditional forms of social organization and authority relations, which has given camp life in Gaza a homogeneity that it does not have in the West Bank.

The persistence of traditional structures also prevented the emergence of an effective leadership structure capable of articulating the refugees' needs and interfacing with the indigenous population. Thus, it is no surprise that almost five decades after the loss of their original homes, the majority of Gaza's refugees continue to live in camps that are generally much larger than those in the West Bank. By 1993, the average refugee camp in the Gaza Strip held 40,058 people; in the West Bank, 6,542. In fact, some of Gaza's camps are as large or larger than some West Bank towns.

In the West Bank, by contrast, a majority of residents are indigenous. Many Palestinians who escaped to the West Bank in 1948 later left for other Arab countries, notably Jordan, where they were socially and economically integrated. Most of those refugees who remained in the West Bank were absorbed into the cities and towns of the West Bank; the remainder settled in camps. Unlike Gaza's refugees, whose familial and all other ties were severed in 1948, West Bank refugees and residents were able to maintain longstanding ties in Amman and beyond, because the West Bank was formally incorporated into the Kingdom of Jordan. Clearly, the economic and social integration experienced in the West Bank could not have happened in Gaza.

Differences in social structure between the Gaza Strip and West Bank were sustained and deepened by widely divergent political realities until 1967. The former was occupied by Egypt and the latter by Jordan, two countries that at the time were not only politically opposed but pursuing very different policies of political development in the territories under their control. In Gaza, for example, the Egyptian government never made any attempt to incorporate or annex the territory. The Egyptians viewed Gaza as distinctly Palestinian and did little to foster an alternative national identity. The government regularly emphasized the temporary political status of the Gaza Strip, a status it felt could only be resolved through the total liberation of Palestine.

Despite this policy, Egypt spared no pains to suppress most political activity. Consequently, the Gaza Strip never developed a distinct and well-defined political sector. The Egyptian authorities prohibited both the development of an independent Palestinian political movement and the kinds of institutions needed to sustain it. The government also refused most forms of participatory politics; all Palestinian officials were appointed. Thus, although political sentiment in the Strip ran high, Gazans were unable to develop their own political culture and leadership. Moreover, the combination of weak exposure to institutional development and a majority refugee population that was rural, uneducated, poor, and dependent, shaped a political culture that saw violence, not debate, as its primary form of mediation and political action. Gaza's political culture has not changed significantly under Israeli occupation. Indeed, one community activist described Gaza's lack of political development as "a flock in

search of a shepherd."

The West Bank's political development under Jordan was quite different. Jordan annexed the West Bank, due to King Abdullah's expansionist objectives and desire to carry the mantle of Palestinian nationalism. Although Jordan placed many political restrictions on the Palestinian community, it did allow West Bankers to participate in national and local government. West Bankers held administrative positions in the government bureaucracy and even in the Jordanian parliament.[27]

Jordanian policy allowed the growth of a differentiated political sector and class structure whose leadership base was not restricted to one class (as it was in Gaza) and where a variety of political, economic, and social interests were represented.[28] By 1967, two classes contended for political and economic power in the West Bank: the traditional landed elite and a new class of urban merchants and traders. In Gaza, only the old landed families had real power, and they had no popular base of support among the majority refugee community. Power was based on economic strength, not political votes.

Thus, the political socialization of West Bank Palestinians diverged sharply from that of Gazans. West Bankers were exposed to institutionalized political forms of participation, where, political constraints aside, disagreements were mediated through organized structures that recognized and valued the role of discussion and debate in resolving disputes and provided an alternative to violence. In this sense, West Bankers received a range of political skills and institutional mechanisms that Gazans never did.

Israeli policy in each of the occupied territories has consistently reflected the fundamental differences between them. The Israeli authorities have always viewed the Gaza Strip with far greater suspicion and mistrust than the West Bank. They have considered Gaza to be angry, restless, and malcontent. As a result, they have exercised much tighter control in Gaza than in the West Bank. For example, Israelis have often relied on brute military repression, particularly against Gaza's refugees, whereas in the West Bank, more indirect forms of cooptation (of "notables" with ties to Jordan and urban middle class merchants with economic interests in maintaining the status quo) have been the mainstay, although by no means the only forms, of control.[29]

The social and political distinctions described have had a pronounced impact on the economic development of the two territories. Not surprisingly, their economies have evolved differently. Some of these economic distinctions are highlighted in later chapters, but in light of the present discussion, give rise to three important questions:

1) Can a common Palestinian economy be created out of two separate and distinct entities that differ economically, socially, politically, and demographically?

2) Given the fundamental differences between Gaza and the West Bank and consistent political pressures not to distinguish between them in any form, can development in the Gaza Strip mean something different from develop-

ment in the West Bank? More importantly, should it?

3) Will the Gaza–Jericho Agreement, with its initial economic and political focus on the Gaza Strip, widen existing differences and antagonisms between the two areas, and decrease rather than increase the possibility of creating a unified political and economic entity?

It is the contention of this study that if in fact a common "Palestinian" economy is to be created in the occupied territories, then development in the Gaza Strip must, in part, be treated as unique and distinct, an approach that Israel has historically rejected and that Palestinians have historically resisted. The imperatives of economic development, unlike those of politics, dictate the acknowledgement of difference, for without such acknowledgement, complementarity, let alone unity, cannot be achieved.

Notes to Chapter 1:

1. Efraim Orni and Elisha Efrat, *Geography of Israel*, 4th rev. ed. (Jerusalem: Israel Universities Press, 1980), pp. 44–45, cited in Thomas J. Neu, "Employment, Labor Migration and Economic Development in the Gaza Strip: A Case Study of Rafah" (Ph.D. diss., Fletcher School of Law and Diplomacy, Tufts University, 1987), p. 27. See also Elisha Efrat, "Settlement Pattern and Economic Changes of the Gaza Strip, 1947–1977," *Middle East Journal* 31, no.2 (Summer 1977): p. 351.

2. Government of Palestine, *Statistical Abstract of Palestine 1944–45* (Jerusalem: Government Printer, 1946), p. 5.

3. Genesis 10:19 indicates that the southern border of Canaan extended as far as Gaza.

4. The Via Maris was the Latin term for what the Bible (Isaiah 9:1) referred to as "the way of the sea." See Carol A.M. Glucker, *The City of Gaza in the Roman and Byzantine Periods* (Oxford, England: B.A.R. International, 1987), p. 8.

5. Mordechai Gichon, "The History of the Gaza Strip: A Geo-Political and Geo-Strategic Perspective," in Lee I. Levine (ed.), *The Jerusalem Cathedra* (Jerusalem: Yad Izhak Ben-Zvi, 1982), pp. 291–92.

6. Martin A. Meyer, *History of the City of Gaza From the Earliest Times to the Present Day* (New York: Columbia University Press, 1907), p. 4. Gaston Maspero, *The Struggle of Nations: Egypt, Syria and Assyria* (London: Society for Promoting Christian Knowledge, 1896), p. 135, makes the same argument. There are only two other books written on the history of Gaza: K.B. Stark, *Gaza und die philistaische Kuste: Eine Monographie* (Jena: Druck und Verlag von Friedrich Mauke, 1852); and Glanville Downey, *Gaza in the Early Sixth Century* (Norman, OK: University of Oklahoma, 1963). A few articles and studies deal with the ancient history of Gaza, notably, A. Guillou, "Prise de Gaza par les Arabes au VII Siecle," *Bulletin de Correspondance Hellenique* 81 (1957): pp. 396-404; Uriel Rappaport, "Gaza and Ascalon in the Persian and Hellenistic Periods in Relation to their Coins," *Israel Exploration Journal* 20 (1970): pp. 75–80; Aryeh Kasher, "Gaza during the Greco-Roman Era," in Levine (ed.), *The Jerusalem Cathedra*; pp. 63–78; and R.W. Hamilton, "Two Churches at Gaza as Described by Choricius Of Gaza," *Palestine Exploration Fund* (January 1930): pp. 178–91.

7. UNRWA, *Registration Statistical Bulletin For The Fourth Quarter 1992* (Vienna: Relief Services Division, UNRWA HQ, January 1993), p. 7; and UNRWA, *UNRWA General Information Sheet* (Vienna: Programme Planning and Evaluation Office, UNRWA HQ, January 1993). Population figures for any given time vary even within the same agency.

8. This is when accounting for total land area; when accounting for agricultural lands only, the figure rises to 868.

9. See Neu, pp. 38–46; and Arab Thought Forum, *Statistics*, Gaza City, 1991.

10. Figures are taken from The Planning and Research Centre, "Population Breakdown" in *Jerusalem Media and Communications Center (JMCC) Weekly Report 9*, Jerusalem, 15 May 1993, p. 7; UNRWA, *Population Data For Camps And Communities Surveyed* (Gaza Strip: UNRWA-Water and Sanitation Department, 1992); Mahmoud Okasha, *Population and Labour Force in the Gaza Strip: Statistical Survey* (Gaza City: Arab Thought Forum, 1990), p. 24. See also Neu, pp. 38–45.

11. Meyer, p. 109.

12. Neu, p. 40.

13. Neu, p. 37; Efrat, p. 351.

14. See Peace Now, *The Real Map: A Demographic and Geographic Analysis of the Population of the West Bank and Gaza Strip, Report No. 5* (Jerusalem: Peace Now, 1992). The water consumption ratios are based on 1986 figures given the unavailability of 1993 figures. However, it is safe to assume that 1986 estimates have not changed significantly and may even be conservative given the growth of the Arab population and the depletion of water. (The growth of the settler population between 1986 and 1993 was not large enough to alter appreciably 1986 ratios.)

15. Salah S. Sakkah, *Survey of the Infrastructure Needs of the Outlying Communities in the Gaza Strip* (Jerusalem: Save the Children Federation, 1988).

16. The Israeli government regards this as a benefit of its rule. See, for example, State of Israel, *Judea-Samaria And The Gaza District—A Sixteen Year Survey (1967–1983)* (Tel Aviv: Coordinator of Government Operations in Judea-Samaria and the Gaza District, Ministry of Defense, November 1983); and State of Israel, *An Eighteen Year Survey (1967–1985)* (Tel Aviv: Coordinator of Government Operations in Judea-Samaria and Gaza District, Ministry of Defense, July 1986).

17. Gaza's extreme economic weakness is indicated by the assessment of Yad Tabenkin, an Israeli research institute, that the 1988 economy of the occupied territories would have to grow by an estimated 250 percent by the year 2000 if the standard of living in the Gaza Strip was to reach that of the West Bank. See David Rosenberg, "The territories: economic scenario," *The Jerusalem Post*, 23 November 1988.

18. The word *refugee* in this context is somewhat of a misnomer. A refugee usually refers to someone fleeing to another country. In the Palestinian case, however, individuals fled to areas within their own country, making them displaced persons.

19. For example, of the forty-six Arab villages belonging to the Gaza subdistrict before 1948, but not incorporated into the Gaza Strip, none remain; all were destroyed by the State of Israel. See Bashir K. Nijim (ed.), *Toward the De-Arabization of Palestine/Israel 1945–1977* (Dubuque, IA: Kendal/Hunt, 1984), pp. 70–73.

20. Neu, pp. 46–47.

21. Ziad Abu-Amr, "Class Structure and the Political Elite in the Gaza Strip: 1948–1988," in Aruri (ed.), pp. 77–78.

22. See Sara Roy, *The Gaza Strip Survey* (Boulder, CO: Westview Press, 1986), pp. 84–86. For an excellent discussion of social class structure in the Gaza Strip, see Abu-Amr, "Class Structure," in Aruri (ed.), pp. 77–98. For a similar discussion of the West Bank, see Sarah Graham-Brown, "Impact on the Social Structure of Palestinian Society," in Aruri (ed.), pp. 361–97.

23. Jeffrey Paige, *Agrarian Revolution: Social Movements and Export Agriculture in the Underdeveloped World* (New York: Free Press, 1975), underscores the powerful role of nationalist ideology as opposed to class in uniting disparate social groups against a common enemy, the settler class. Cited in Joost R. Hiltermann, *Behind The Intifada* (Princeton, NJ: Princeton University Press, 1991), p. 6.

24. For a more detailed treatment of the legal system in the occupied territories, see Meir Shamgar (ed.), *Military Government in the Territories Administered by Israel 1967–1980: The Legal Aspects* (Jerusalem: Hebrew University, Faculty of Law, Harry Sacher Institute for Leigislature Research and Comparative Law, 1982); Raja Shehadeh, *Occupier's Law* (Washington, DC: Institute for Palestine Studies, 1988); and Eyal Benvenisti, *Legal Dualism: The Absorption of the Occupied Territories into Israel* (Boulder, CO: Westview Press, 1990). For a study of the impact of military and international law on economics specifically, see Richard T. Drury and Robert C. Winn, *The Economics of Occupation in the West Bank* (Boston: Beacon Press, 1992). See also Raja Shehadeh, "Questions of Jurisdiction: A Legal Analysis of the Gaza–Jericho Agreement," *Journal of Palestine Studies* 23, no. 4 (Summer 1994): 18–25.

25. This number was calculated by an UNRWA official in Gaza and does not include foreign personnel working in the Gaza Strip.

26. Census figures are at best reasonable guesstimates. The last census conducted by the Israeli government was in 1967.

27. Before the intifada, a small pro-Hashemite camp also existed in Gaza, led by Mayor Rashad Shawa, the head of one of Gaza's wealthiest families. Shawa's dislike of Egypt was well known and his tilt toward Jordan was in no small part a function of economic opportunity. As one of Gaza's largest citrus growers, Shawa had a vested interest in expanding Arab trade in and through Jordan.

28. Amnon Cohen, "The West Bank-Gaza connection," *The Jerusalem Post*, 17 February 1978, discusses some of these differences and their ramifications for the Camp David agreements.

29. Israeli policy consistently met with failure because the government had very little to offer these groups in return for their cooperation and was unable to mute those indigenous forces (e.g., mass-based groups, university students) rising to oppose it. The example of the village leagues, rural-based groups organized and funded by Israel to serve as instruments of local control, is indicative of official approaches and illustrative of

their failures. See Graham-Brown, "Impact on the Social Structure," in Aruri (ed.), pp. 366–71, for a more detailed discussion.

2

The Development of the Gaza Economy during the British Mandate—The Peripheralization of the Arab Economy in Palestine

The course of economic and political development in the Gaza region has been shaped by three major political events: the conquest of the area by the British, the creation of the state of Israel and beginning of Egyptian control, and Israel's military occupation. Each event had a pronounced effect on economic and social organization in Palestine generally and Gaza specifically, and introduced significant, and in some cases irrevocable, changes into the character of economic life. This chapter and the two that follow deal with each of these historical periods in turn.

The economic history of Gaza is directly tied to that of Palestine, and both were shaped by the political developments of the time. During the Ottoman period, important changes occurred that laid the foundation for Gaza's later economic development. Prior to the nineteenth century internal instability had a pronounced impact on economic activity, particularly in the drastic decline of the agrarian sector in the Gaza region. Beginning in the mid-nineteenth century, however, European interest in Palestine and the restoration of internal order resulted in expanding commerce and the emergence of an export trade that encouraged a shift from subsistence to market production in agriculture. By the end of the nineteenth century, Gaza, with its predominantly agricultural economy, had become a center of local and regional trade, particularly in the export of wheat and barley. Industrial activity was primitive and focused on the production of pottery, woven textiles, and soap.

During this period, Gaza's economic growth, like that of Palestine's, was

based primarily on the extension of cultivable land and new and improved market forces. It was not spurred by the introduction of new land reforms, new product lines, or new production methods, nor did it result in any internal economic restructuring. To the contrary, economic change only occurred within the existing social and economic structure. However, the traditional character of economic organization underwent certain changes that included the emergence of large landed estates and a commercial bourgeoisie.[1] Although these changes did not result in the penetration of the capitalist mode of production into the rural economy, they laid the foundation for the subsequent transformation of the Palestinian economy along capitalist lines and the domination of the Palestinian economy by foreign powers under the British Mandate.

The socioeconomic transformation of Palestine began in earnest with the beginning of British colonial rule in 1917. Many of the features that have characterized the Palestinian economy since 1967 originated under the Mandate. Although successive regimes have had their own defining impact on the indigenous economies in the Gaza Strip and West Bank, the policies of the British Mandate, particularly with regard to the creation of a Jewish national home in Palestine and the public sector, set into motion new dynamics that would forever shape the context and structural parameters for Jewish development and Arab underdevelopment in the land both peoples claimed as their own. The complexity of the Mandate period is rooted in the implantation in the Arab Middle East of a European colonial state that was militarily powerful, politically committed to a Jewish national presence in Palestine, and economically committed to the development of capitalism within a precapitalist (or noncapitalist) social formation. Then, as now, economic change was directly tied to political objectives and intentions.

This chapter aims to describe the defining impact of the Mandate period on the economic development of Palestine in general and Gaza in particular. The chapter briefly examines the political history of the period and those Mandate and Zionist policies most critical to Palestine's economic transformation, particularly with regard to the impact of capitalist penetration on the agrarian sector and the dualistic economic development of the Arab and Jewish communities. The Gaza economy is then examined in light of these transformative changes.

Political Background to the British Mandate Period (1917–48)

By the end of World War I the British were in control of Palestine and had established a military government. In 1920, the military government was replaced by a civilian administration; in 1922 the League of Nations formally approved the British Mandate.[2] The twenty-five years leading up to the establishment of the Mandate and of a Jewish state in Arab Palestine were a politically volatile and complex period characterized by profound societal disunity. The defining political features of the Mandate period were the government's

official support for the establishment of a Jewish homeland in Palestine and the rise of Jewish and Arab nationalism that inevitably resulted. Palestine was far from being a binational society at this time, but instead existed as a society of two nationalisms.

Jewish aspirations for a homeland gained political expression in the Zionist program articulated at Basel, Switzerland in 1897. Between 1882 and 1922, the number of Jewish immigrants in Palestine grew from 500 in 5 agricultural settlements to 14,140 in 159 settlements, including parts of the southern coastal plain.[3] In 1917, the British government issued the Balfour Declaration, a document authored by British Foreign Secretary Arthur James Balfour, that would change the course of regional history. By declaring its support for "the establishment in Palestine of a national home for the Jewish people" and for policies "that would facilitate the achievement of this object,"[4] the British government sanctioned the Zionist colonization of Palestine and placed the future destiny of Palestine primarily in hands that were not Palestinian. That this was to be done in a way that would not "prejudice the civil and religious rights of existing non-Jewish communities in Palestine" (who constituted 92 percent of the population) presented an inherent contradiction that plagued the Mandate administration throughout its tenure. The government's promise of independence for its Jewish subjects created profound hostility among Palestine's Arab population, which the British failed to see but were soon forced to confront.

In the period following the Balfour Declaration, Jewish immigration flowed into Palestine at an accelerated rate, rising from 9,149 immigrants in 1921 to 33,801 in 1925. By the end of the Mandate, Palestine's Jewish community nearly tripled and comprised one-third of the country's total population. During this time, the *yishuv*, as the Jewish community was known, purchased land from anyone willing to sell, including resident Palestinians, Palestinian absentee and non-Palestinian absentee landowners, and foreign agencies and governments.[5]

The Arab community became increasingly alarmed as the danger to Palestine's national existence grew. The steady consolidation of the *yishuv* with its own national goals also had a clear and defining impact on the development of the Palestinian economic sector. By the time of the second major surge in Jewish immigration following Hitler's rise to power in 1933, the Arab community openly began to pressure the Mandatory government to limit Jewish immigration and land purchases. From 1936 to 1939, the period of the Arab Revolt, it resorted to violent means to do so.[6]

Faced with the acute political reality of Arab rejectionism and rising intercommunal tension, the government appointed a royal commission under Lord Peel to recommend a solution. In May 1937, the Peel Commission recommended the partition of Palestine into three autonomous states or cantons: a Jewish state covering 40 percent of the country's most fertile regions (Jews owned only 5.6 percent of the land at the time); an Arab state (under the control of Emir Abdullah); and a canton under Mandatory administration that would include

the holy places of Jerusalem and Bethlehem in addition to the Haifa port.[7]

Grossly offended by any notion of dividing Palestine, especially among three external authorities, the Arab Higher Committee rejected the proposal, whereas the Jewish leadership agreed to support the principle of partition only.[8] The "cantonization" of Palestine was as doomed to failure in 1937 as it was in 1948 for reasons that the Peel Royal Commission itself enunciated:

> [Our recommendations] will not... 'remove' the grievances nor 'prevent their recurrence'. They are the best palliatives we can devise for the disease from which Palestine is suffering, but they are only palliatives. They might reduce the inflammation and bring down the temperature, but they cannot cure the trouble. The disease is so deep-rooted that, in our firm conviction, the only hope of a cure lies in a surgical operation.[9]

With war in Europe imminent, the British labored to appease Jewish and Arab demands. In May 1939, the government issued its second official White Paper, which it considered to be a reasonable, if not acceptable, compromise calling for a final fixed quota on Jewish immigration, restrictions on Jewish land purchases, and the establishment of an independent Palestine over a ten-year period. This time, the emphatic rejection came from the Jews and the qualified acceptance from the Arabs. The White Paper intensified the divisions between the two peoples. In so doing, it discredited the government as a legitimate institutional authority and invited popular defiance of its laws.

The final months of the Mandate were chaotic. On 29 November 1947, the United Nations Special Commission on Palestine proposed a partition of the country into two independent states: one Jewish and one Arab. According to this plan, the Jewish state would comprise 56.5 percent of Mandatory Palestine (Eastern Galilee, central Coastal Plain, and most of the Negev), an area in which Jews owned less than 9.4 percent of the land. The population of this state would have included 498,000 Jews and 497,000 Arabs. The Arab state, which included 10,000 Jews, was to be established on 42.9 percent of 1947 Palestine (Western Galilee, central hill region, Jaffa enclave, and the southern Coastal Plain), a territory where Jewish land ownership equalled 0.84 percent. In addition the plan proposed that an international zone be established in Jerusalem on close to 0.6 percent of the land.[10] The Gaza District was to provide a central part of the Arab state in the Mandate territory of Palestine. The UN resolution calling for partition, however, was unanimously rejected by the Arab Higher Committee, as it was by the people of Gaza, who vehemently condemned it because it would lead to the division of their agricultural lands. On 13 May 1948, the Mandate ended; one day later the State of Israel officially came into existence, and the first Arab-Israeli war began.

The Economic Transformation of Palestine: Key British and Zionist Policies

British rule in Palestine intensified and institutionalized many of the eco-

nomic patterns that had begun to evolve under the Ottomans. However, the Mandate period represented an important structural break with Palestine's Ottoman past. Whereas the Ottoman administration had remained the "organ of a noncapitalist state,"[11] of which the indigenous Arab and Jewish communities were integral and similar parts, the British Mandate established the preconditions for the growth and development of a capitalist sector in Palestine, increasingly segregating the two communities into distinct spheres. British policies also facilitated the integration of the Palestinian economy into the world market.

During the Mandate, the determining features of Palestine's economic development were implanted and institutionalized, features that would be expressed in Israeli occupation policy after 1967. This section looks at (a) the policies of the British Mandatory government, which promoted the social dislocation and proletarianization of the Arab peasant and "insured the long-term growth of the capitalist mode of production [Jewish] at the expense of the noncapitalist mode [Arab]"[12]; and (b) the political-economic imperatives of Zionist colonization, which aimed at creating a system that was not only politically separate but economically autarkic. The policies of the Arab community, although not as critical in shaping Palestine's changing economic reality, no doubt intensified the emerging distinctions between Jews and Arabs through measures that sought to restrain the political development of the Zionist movement but in fact contributed to the economic decline of the Arab sector.[13]

British Government Policies

The context for British policy in Palestine was the Balfour Declaration which regarded a Jewish home in Palestine as small but just compensation to be demanded of the Arab people for the gift of independence they had achieved elsewhere in the region (Syria, Transjordan, Iraq).[14] The British regarded Palestine as a distinct and separate entity within the Arab world. A member of the House of Lords explained why:

> Palestine can never be regarded as a country on the same footing as other Arab countries. You cannot ignore all history and tradition in the matter ... and the future of Palestine cannot possibly be left to be determined by the temporary impressions and feelings of the Arab majority in the country of the present day.[15]

The delegitimization of the indigenous Arab population is explained in part by the racist outlook of the colonial government and by the mutual interests of British colonialism and Zionism. Initially, the granting of the Jewish National Home was an attempt to secure the political support of world Jewry for the Allies during World War I. The British government also believed that with the establishment of such a home, the large capital reserves assumed to be at the disposal of world Jewry would be invested in Palestine, and, through capitalist development, would serve Britain's debt and imperial interests. Pal-

estine was not a typical British colony; it offered few exploitable economic resources. Rather, Palestine's importance lay in its strategic geographic position between Africa and the Middle East.

The economic development of Palestine was therefore shaped by political objectives that reflected Britain's imperial interests—to secure military and political control over the country—and local imperatives—to implement the Jewish National Home and to appease resultant Arab nationalist tensions. Britain's economic policy in Palestine fostered the socioeconomic development of the Jewish sector at the expense of the Arab, through government policies that facilitated Jewish immigration, land purchase, settlement, and capitalist development, and by giving the Zionists time to establish the institutional foundation of a pre-state structure. British policies also encouraged a process of incipient proletarianization among the Arab peasantry that continued long after the Mandate had ended.

The economic transformation of Palestine at both its aggregate and ethnic levels was rooted in the changes taking place within the agrarian sector where the majority of the population worked. For most of the Mandate period, the Palestinian economy remained largely agricultural, especially when measured in terms of national income. By 1938, close to 7.6 million dunums were under cultivation, about 60 percent (4–5 million dunums) of which was devoted to the production of wheat and barley.[16] Much of the cereals produced were for subsistence consumption, and only one-third was marketed.[17] By 1944, 51.4 percent of the population lived in rural areas, although a certain percentage of the rural population engaged in nonagricultural activities. Despite the large number of people living in the agrarian sector, Palestine was not self-sufficient in a range of foodstuffs[18] (much of which were imported) except for citrus, its leading export.

The Arab economy dominated agricultural activity in Palestine, and the overwhelming majority of Arab land was devoted to the cultivation and production of grains—wheat, barley, and dura.[19] These crops, however, were less lucrative than others because they depended on irregular rainfall patterns and inefficient production methods (extensive vs. intensive farming) that yielded the lowest productivity ratio for wheat and barley among the leading agricultural countries of the time. Jewish agriculture also produced grains but was more evenly distributed among other crops—fodder, fruits, and vegetables—and productivity was considerably greater than it was in Arab agriculture. Consequently, only 20–25 percent of Arab agriculture (excluding citrus) was marketed, compared to 75 percent of Jewish agricultural production.[20]

By 1936, more than 60 percent of Arabs were working in agriculture, compared to 21 percent of Jews. The relative contribution of agriculture to national income was more than twice as high in the Arab than in the Jewish sector.[21] The heavier reliance on agricultural employment among Arabs combined with lower output per worker, the incomplete use of labor, the relatively small share of invested capital in agriculture, the oppressive structure of peasant farm-

ing, and the competitive disadvantages created by a well-organized, capital-rich, and highly subsidized Jewish economy, contributed to growing Arab rural unemployment (and a per capita national income in the Arab economy that was 40 percent of its Jewish counterpart in 1936).[22]

As the problem of rural unemployment among Arabs increased, the colonial government sought to stem the social disorder and political unrest that accompanied it. It therefore devised policies designed to provide employment for the village worker, who could be employed at a lower wage rate than his urban counterpart. These policies also aimed to preserve the basic mode of production in the Arab agricultural sector and prevent a situation in which large numbers of Arab peasants became separated from their means of production, forcing them into urban areas that could not absorb them.[23] The British government used two modes of recruitment. Before World War II, it created jobs in the rural sector through the Department of Public Works. These jobs were generally within the laborer's area of residence. The government, however, was not seeking to create a rural labor force dependent on the state for its livelihood. The British feared the creation of a rural *lumpenproletariat* and avidly resisted the introduction of any significant change into the prevailing social structure and relations of production. "In fact their main hope of containing and controlling the Arab population was through the preservation and even ossification of the existing patterns of domination."[24] For recruitment, therefore, the government relied on village *mukhtar*s, a class already allied with the government for the purpose of maintaining rural security. By assigning the village notable the role of recruiter, the authorities reinforced the linkage between seasonal wage labor and traditional village organization,[25] and with it, insured a stable peasantry and protected the political, economic, and social status quo against any radical change.

Consequently, the peasant-worker remained economically and culturally tied to his land and to his village. This not only allowed the traditional elite continued powers of control and accountability, but also depressed the wages of those (urban) workers who had no land to which to return. Moreover, the nature of the agrarian regime at this time, characterized by dry farming and acute peasant indebtedness, not only encouraged proletarianization, but precluded total urbanization, because the peasant-worker would return to his land despite his lessened dependence on it.[26] The peasant-worker became a migrant worker. Thus, the state-generated demand for wage labor was an important force behind the exodus of village labor and a critical factor in the transformation of the rural sector. It is important to note, furthermore, that the occupational transformation of village structure did not occur as a result of indigenous economic growth, but as a result of forces external to the local Arab economy. The status of the peasant and the worker were the same.[27]

During World War II, the second mode of labor recruitment emerged. The wartime boom heightened the demand for labor. Increasing numbers of rural workers left the agrarian sector for a variety of occupations in urban labor

markets that physically separated the worker from his village. By 1945, 33 percent of the male Arab workforce were employed in wage labor in cities and towns. Despite strong occupational ties to agriculture, the Arab economy enjoyed considerable occupational diversification.[28]

With greater employment opportunities and improved access to them, the peasant found his status as a casual laborer significantly enhanced. This, in turn, weakened his relationship to his village. An even more critical change occurred within the village, where the traditional elite, now deprived of its recruitment function, lost much of its political power and were less able to serve the reactionary interests of the colonial authorities.[29] The traditional nature of village organization, its social structure, and relations of production were beginning to weaken, with no viable alternative available.

Employment opportunities in the public or colonial sector were often temporary and seasonal, and working conditions were appalling. Unlike Jews, Arabs had no government protections such as social security, employment benefits, trade union protection, job security, and few opportunities for training. Furthermore, they were paid one-third the Jewish wage for the same work by the same employer. Nor did the proletarianization of the Arab worker lead to class solidarity and a change in the social order. Arab wage labor never really developed into an identifiable urban proletariat that could challenge Jewish labor or the power of the Arab landowning classes. The small-scale nature of the Arab urban economy,[30] coupled with the fragmented and seasonal nature of the migrant labor force, and the commitment of the Jewish community and British government alike to provide employment for Jewish immigrants, militated against the emergence of a cohesive and well-organized Arab proletariat or working class.[31] Instead, the proletarianization of the Arab workforce fostered continued exploitation by the Arab effendi and Jewish employer, and greater social dislocation. In this way, the village gave way to the shantytown, creating the social and political base for continued violent opposition to Zionist colonization.

The Mandate administration further exacerbated the problems of the Arab producer by pursuing fiscal policies that, in effect, promoted the development of the Jewish capitalist sector at the expense of the Arab noncapitalist sector. First, government expenditure in the five years between 1933 and 1937 was greatest for two single sectors: development and economic services, and defense.[32] The former referred to the development of infrastructural services and public works—the improvement and construction of railways, roads, bridges, communications, telegraphs, harbors, and airports[33]—which were far more important for capitalist (as opposed to noncapitalist) production, largely the domain of the Jewish sector. Outlays for defense supported the maintenance of a security apparatus "continuously and primarily directed against the Arab producing masses."[34] More critical, however, was the system of taxation to which both Arabs and Jews were equally subject, but which exacted greater absolute and relative costs from the Arab than from the Jewish population. Asad, a Pales-

tinian historian, cites three kinds of taxes that had particular significance for the Arab sector: indirect, direct (rural property), and urban property.

Indirect taxation provided the Mandate government with its most important annual source of revenue (50 percent to 60 percent of the total). These taxes were levied primarily on necessities (sugar, butter, fruit, fish, flour, cigarettes, rice, coffee beans) and included custom duties; excise taxes on matches, salt, tobacco, and alcohol; and stamp duties.[35] As the largest source of indirect taxation contributing an average of 46.4 percent between 1933 and 1938, custom duties played an important fiscal role in the Mandate government but one that proved discriminatory in its impact. Custom duties were levied primarily to protect local industry, a predominantly Jewish domain, against the importation of foreign goods, most of them necessities. Consequently, these taxes proved especially regressive because they exacted greater relative costs from the Arab consumer, the poorest and least able to afford a "duty often out of proportion to the value of the goods he consumes."[36] Inflation also had a disproportionately greater impact on Arab consumers.[37] It should be noted that the taxes paid by the nonproductive Arab classes (landowners, urban elites) were a form of indirect taxation on Arab rural labor, because it was the exploitation of the rural producer that provided the landowner with his surplus (some of which was also transferred to the Jewish capitalist sector).[38]

Direct taxes were imposed on land and its products, not on income. As such, direct taxes had greater significance for the agricultural sector, which predominated the Arab economy.[39] The rural property tax was a direct tax paid largely by the Arab peasant. Although it was not an important source of government revenue, it imposed a financial burden on the rural producer. The rural property tax was linked to the *net* annual income earned from the use of land (or industrial buildings in village areas). Land was taxed according to a fixed rate per dunum on the basis of the estimated net annual yield after production costs had been subtracted. Although the taxation of net rather than gross yield eased the cultivator's financial burden, the presumed net return from cultivation did not account for the net return, actual or assessed, to the owner-cultivator.[40]

The direct tax became especially burdensome in times of poor harvests when the cultivator had no money to buy his seed, let alone pay his taxes, forcing him to seek credit or short-term loans at higher interest rates from usurious moneylenders, the government, and commercial banks. In the end, such credit, which for the most part was not linked to finance capital, would only worsen the peasant's debt, increase his vulnerability, and preserve the structural status quo within the rural economy. Clearly, rural indebtedness was not a problem borne of Mandate policy; however, it was most certainly a problem made more acute by that policy.[41]

In industry, where the urban property tax was levied, the outcomes of government taxation policies were no different. Even though the weight of taxation was shifted to large-scale industries that were centralized in the Jewish economy, Arab industry was too small and undercapitalized to compete, de-

spite some expansion at the aggregate level and increased share of total Arab economic output achieved during the wartime expansion.[42] By 1942, the Arab economy employed 8,800 industrial workers; the Jewish economy employed 37,800. Capital investment in Arab industry was only 10 percent of total industrial investment, and gross output accounted for only 15 percent of the total.[43] Moreover, the growth of a modern industrial sector accelerated the dissolution of traditional Arab home industries, which had supplemented the peasant producer's income.

Hence, as structured, the fiscal system not only hindered the development of Arab industry but encouraged and sustained the difference in Arab and Jewish wage rates. In the end, the government did not alleviate unemployment and landlessness among the Arab agricultural population by creating alternative employment or establishing a more progressive system of taxation. Rather, it opted to continue to extract surplus from that same population and preserve those social agents within the Arab economy—providers of rural credit, landowners, and merchants—who made extraction possible. In this way, the rapid expansion of the Jewish sector rested in part on the extraction of surplus from the Arab population, either from farmers or wage laborers. Stated differently, the traditional precapitalist sector of the economy was preserved to serve the process of capital accumulation in the modern, predominantly Jewish sector, ensuring a flow of surplus from the Arab peasantry to the emerging Jewish capitalist mode of production.[44]

Finally, the Mandate facilitated the evolving dualism of the economy by recognizing the legitimacy and institutional autonomy of the quasi-governmental structure developed by the *yishuv* since the earliest days of Jewish immigration. This structure, comprised of several Jewish national institutions[45] (for which the Arab community had no counterpart), served as a parallel government to that of the Mandate and possessed the authority to act in areas of importance to the Jewish community. Most significantly, these institutions were external in origin and thus represented not just the interests of the local community in Palestine, but those of Jews everywhere. As such, they were able to orchestrate the flow of people and money into Palestine on a scale vastly disproportionate to the size of the resident population and served as the locus of economic control for the Jewish community.[46] Between October 1917 and September 1944, for example, the income of the Jewish National Fund equalled 35,633,060 Palestinian pounds (£P), of which 83.9 percent was contributions. The Fund's expenditure during this period totalled £P 35,753,004. The largest single source of expenditure (40 percent) was on agricultural settlements, followed by education and culture (18.5 percent).[47]

British support for the establishment of a Jewish National Home in Palestine defined the political and economic parameters for the dualistic economic development of the Jewish and Arab sectors. Government policies were critical in catalyzing a process of proletarianization among the Arab peasantry. These policies tried to preserve traditional village structure, on one hand, and under-

mine it on another, leaving the peasant with few viable alternatives. The government's political commitment to the Jewish community was supported by policies that not only facilitated the institutionalization of the *yishuv* but encouraged the penetration of the capitalist mode of production into a largely precapitalist Arab economy that was ill-equipped to deal with it. Thus, the British created structural parameters to which Arab economic growth was strictly confined. Zionist policies, which aimed to achieve a form of economic autarky, reinforced the limitations to which the Arab economy was subject.

Zionist Policies

The political objectives of the Zionist movement in Palestine, which always superceded economic interests, were to establish rapidly as large a Jewish presence as possible, and to create a new kind of Jewish society rooted in the land and productive labor that would reverse the diaspora structure of Jewish life.[48] These objectives, in turn, were based on three fundamental assumptions: (1) Arab opposition to the Jewish National Home was not and could not be based on nationalism, which was not seen to exist among Arabs[49]; (2) the only way to generate Arab acceptance of Zionism was to force it, by establishing "a great Jewish fact in [Palestine]"[50] through heightened immigration and rapid economic growth; and (3) the clear economic benefits arising from the Zionist enterprise would, over time, dissolve all opposition to its presence.[51]

An important component of the Zionist economic platform was that Jewish advances, no matter how disproportionate to those of Arabs, were justifiable as long as the economic position of the Arab community did not worsen.[52] This position clearly implied that economic conditions in the Arab sector should not be compared with those obtained in the Jewish sector, but with the position of Palestinian Arabs prior to Jewish colonization, or with the standard of living obtained by Arabs in neighboring Arab states.[53]

A critical component of the Zionist platform was the call for the exclusive employment of Jewish labor, *avodah ivrit*. This consumed the Zionist labor movement throughout the Mandate period, and "contributed more than any other factor to the crystallisation of the concept of territorial, economic and social separation between Jews and Arabs."[54] In 1947, the United Nations Special Commission on Palestine, writing on the features of the Palestinian economy, observed:

> Apart from a small number of experts, no Jewish workers are employed in Arab undertakings and apart from citrus groves, very few Arabs are employed in Jewish enterprises...Government service, the Potash Company and the oil refinery are almost the only places where Arabs and Jews meet as co-workers in the same organizations....There are considerable differences between the rates of wage for Arab and Jewish workers in similar occupations, differences in the size of investments and differences in productivity and labour costs which can only be explained by the lack of direct competition between the two groups....The occupational structure of

> the Jewish population is similar to that of some homogenous industrial countries, while that of the Arabs corresponds more nearly to a subsistence type of agricultural society.[55]

The distinctive features of what could be termed a "bi-national Jewish-Arab dualism,"[56] were clearly evident in Zionist policies on labor.[57] The elimination of the Arab worker from the Jewish sector of the Palestinian economy was a struggle that met with repeated failure, because many settlers considered the use of cheap Arab labor extremely profitable. Later immigrants, imbued with socialist and Zionist ideals, attempted to eradicate what they perceived as the moral decay of Zionism and pursued a policy of "100 percent Jewish labor." It was against the failures of the first Zionist settlements

> that new concepts of colonization took shape: the concept of *the Jewish economy as a closed circuit, in which Jews would fulfill all the functions and which would become independent of Arab labor and food supplies*; the concept of national funds and nationalized land as a basis for colonisation and a guarantee against land speculation and exploitation of Arab labour; the concept of co-operative settlements based on self-labour and motivated by Zionist ideals ....Along with these concepts developed also the strategy of settlement in contiguous areas where *the danger of interaction with Arab population would be minimized and where Jews would rapidly become a majority*....[58]

This feature of Zionist ideology critically distinguishes it from other forms of colonialism. By restricting capitalist relations to Jewish owners and workers, the Zionists did not fulfill "the historically progressive function of colonialism—the generalisation of the capitalist mode of production."[59] Moreover, the Zionist interest in Arab *land* rather than in Arab *people*, of which labor exclusivism was a critical expression, is perhaps the most important factor distinguishing Israeli colonialism from its European counterparts.

Economic separatism was reinforced when, in an attempt to insure a continued Arab majority, the Arab leadership instigated the 1936 revolt. Lasting three years, the revolt was violent in nature and began with an economic boycott of Jewish goods and services. Ben-Gurion understood that the conflict between Arab and Jew was political, not economic:

> Arab leaders see no value in the economic dimension of the country's development, and while they will concede that our immigration has brought material blessing to Palestine, they nonetheless contend—and from the Arab point of view, they are right—that they want neither the honey nor the bee sting.[60]

Ironically, the Arab strike solidified the physical separation of the two communities and underscored the many Zionist invocations of the preceding two decades.[61] All economic contacts between Jews and Arabs ended. For the Jews, the political advantages, in particular, were clear. For the Arabs, short-term political success was achieved at the price of long-term economic decline. In re-

sponse to these events, the Peel Commission recommended partition instead of integration, which again fueled the separatist interests of the Jewish sector. When the Arab strike ended in 1939, the Jewish community refused any resumption or normalization of relations with the Arab population, staking everything it had on partition.

Policy Effects

British and Zionist policies created a profound crisis in the agricultural sector, where the majority of the Arab population lived and worked. This crisis was precipitated by the rapid penetration of capitalism into a predominantly noncapitalist agrarian society, itself characterized by primitive subsistence and a system of land ownership that was regressive and unproductive.

During the Mandate period, the structure of land tenure and the social relations of production underlying it remained largely unchanged. The overwhelming majority of the land was owned by 250 Palestinian families, whereas 35 percent of the peasantry did not have enough land for subsistence. The ratio of indebtedness to the value of annual production was 1:1 for the Palestinian peasant, compared to a far more favorable ratio of 1:6 for the American farmer and 1:20 for the English cultivator.[62] The famous Johnson-Crosbie Report, commissioned by the government in response to the economic crisis affecting Arab agriculture in the early 1930s, surveyed 25 percent of Palestine's villages in 1930 and found that less than one-third were economically solvent. The survey also found that the average level of indebtedness was £ 27 per family, compared with an average income of £ 25–£ 30, meaning that the cultivator was trapped by his situation, unable to pay his rent and meet other externally imposed financial demands.[63] Under this system, investment in agricultural development simply did not occur, and land reform was an abstract concept. The cultivator was too impoverished, and the landowner, enriched by the rents, had no incentive to invest in measures that would improve production and change the structure of productive relations. In this way, the Johnson-Crosbie survey revealed the response of the productive unit to market forces.[64]

Although the land tenure system was exploitative, the Palestinian village had remained self-sufficient. Indeed, it was the primary social unit that offered the peasant security and protection. During the Mandate, however, this protective village function was increasingly undermined. The weakening of traditional support systems constituted a significant change in the peasant's socioeconomic reality. The introduction of capitalist relations in Palestine dissolved the social structure of village life by creating a new context for the organization of economic exchange in which the *fellah* became increasingly dependent on and vulnerable to external economic forces that ultimately contributed to his total dispossession.

As the self-supporting and highly insulated system of the village began to dissolve and was drawn into national and international markets with which it

could not possibly compete, the village economy was converted into an exchange or cash economy, where taxes and debts could no longer be collected in tithes of crops. Small proprietors therefore sold their land to pay their debt,[65] became dependent on wage labor wherever they could find it, and in some cases, became landless as well. Others who had no alternative sources of employment were subject to harsher forms of exploitation by the Arab effendi. Land acquired in this way was sometimes resold to Jewish buyers in order to raise capital for the expansion of Arab citriculture. Thus, land purchases by the Jewish community contributed directly to the commoditization of land in Palestine. Contrary to Zionist claims, however, little of this money reached the tenant farmer. Similarly, the expansion of Arab agriculture, itself a response to the market demands created by the influx of Jewish immigrants, produced benefits that accrued only to the small minority of privileged landowners, whereas unemployment and economic displacement accrued to at least 35 percent of the peasantry.[66]

The Gaza Economy During the Mandate Period

Economic dualism and the resultant disparities between the Jewish and Arab populations were highly visible in the Gaza region. Table 2.1 indicates that in 1944, 95.5 percent of the Gaza subdistrict was owned by Arabs and 4.5 percent by Jews. Indeed, Gaza is a good example of the economic segregation of Jews and Arabs into their own distinct spheres of action. In the aftermath of the 1929 Arab riots, for example, which occurred in several cities including Gaza, Jews had physically disappeared from the southern half of the country, a reality that was secured by official British policy, which prohibited the use of state lands in the Gaza District for purposes of Jewish settlement.[67] In 1930, Jewish land purchases in the Gaza region were less than one percent of total land purchases for that year and only 5.7 percent of total land purchases by Jews between 1930 and April 1935.[68] The Jewish National Fund had purchased only 65,000 dunums in the entire Gaza District; in the Galilee and in Haifa, by contrast, its land holdings totalled 451,700 and 206,400 dunums, respectively.[69] As such, the economic development of this region (which included the future Gaza Strip) illustrates the nature of economic activity in the Arab sector during the Mandate.

Table 2.1. Land Ownership in the Gaza Region, 1944

(Sub)District/Ownership	*Area (in dunums)*	*% of total*
Gaza Subdistrict		
Arab-Owned	1,062,896	95.5
rural	1,033,158[a]	
(cultivable)	(853,984)	(76.7)
urban	6,155	
roads, railways, etc.	23,583	
Jewish-Owned	49,566[b]	4.5
Total	1,112,462	100.0
Beersheba Subdistrict		
Arab-Owned	12,511,769	99.5
(cultivable)	(1,938,659)	(15.4)
Jewish-Owned	65,231[c]	0.5
Total	12,577,000	100.0
Gaza District		
Arab-Owned	13,574,665	99.1
Jewish-Owned	114,797	0.9
Total	13,689,462	100.0

Source: Calculated from: Government of Palestine, *Statistical Abstract of Palestine 1944–45* (Jerusalem: Government Printer, 1946), 273; and Sami Hadawi, *Palestinian Rights and Losses in 1948* (London: Saqi Books, 1988), 254, 232. All calculations are approximations because they derive from different sources. 1 dunum = 1/4 acre.

[a] Hadawi places this at 900,483.

[b] Jews owned land in the following villages: Barqa, Batani, Sharqi, Beer Tuvya, Nir 'Am (Beit Hanun), Beit Jirja, Bi'lin and Ard el-Ishra, Bureir, Deir Suneid, Gan Yavne, Kefar Bitsaron, Gaza (rural), Hamama, Hirbiya, Dorot (Huj), Gat ('Iraq el-Manshiya), Isdud, Kefar Warburg, Masmiya el-Kabira, Najd, Negba, Qastina, Sawafir esh-Shamaliya, Sawafir esh-Sharqiya, Summei Sumsum, Tell et-Turmos, and Yasur.

[c] Jewish-owned land consisted of Tel Tsofim and Ruhama.

It is important to note that during Mandate rule, the term *Gaza* was variously used to describe a town/municipality, a subdistrict, and a district. The Gaza District, one of six administrative units in Mandate Palestine, comprised two subdistricts: Gaza and Beersheba. The Gaza District was the largest in Palestine, accounting for just over 50 percent of the country's total land area. It spanned 13,813 square kilometers (5,333 square miles), of which 13,689 square kilometers (5,285 square miles) were land.[70] The Gaza subdistrict occupied 8 percent of the district area (1,113 square kilometers) and contained 1,112,462 dunums (278,115 acres). (Before 1948, the 360-square kilometer area that is today the Gaza Strip did not constitute an independent economic unit and was

not very productive. Rather, it was integrated into the economy of southern Palestine and existed primarily as an export and marketing center for its hinterland.)

One policy objective of the British Mandatory government was the improvement of economic conditions in Palestine, specifically in Gaza. Gaza town, which by then had its own municipal council, was made capital of the Gaza District by the British. The town had been shaken and reduced in size by the two-year battle (1915–1917) for its control between the British and the Turks. The majority of Gaza's 42,000 people fled or were killed. It was not until 1931 that the population reached 17,480. The emphasis on this former Philistine stronghold was in large part the result of its proximity to Egypt, now politically independent but economically a continued part of Britain's sphere of influence.

Although detailed information on the economy of the Gaza region during the Mandate is scarce, available data suggest that it exhibited specific patterns and changes similar to those of the larger Arab economy. These patterns include a predominantly agricultural economy with low productivity, limited employment diversification, the lack of structural transformation, and the preservation of a productive regime that was, to a large degree, precapitalist in character.

Throughout most of the Mandate period, the Gaza subdistrict remained largely agricultural. One-third of Gaza's dunums were cultivable; indeed, Gaza had the highest proportion of cultivated arable land of all subdistricts in Palestine.[71] Although agricultural data vary among sources, a general picture does emerge that suggests that the Gaza District and Gaza town continued to play a marked role in the production and marketing of some of Palestine's key agricultural and export crops, particularly wheat and barley, but also dura, vegetables,[72] citrus, grapes, melons, figs, and other fruits.[73] Of all the land under wheat and barley cultivation in the Arab sector in 1936, for example, 65 percent was located in the Gaza District and 10 percent in the Gaza subdistrict, indicating the region's pivotal role in Arab agriculture and trade. The British promoted a variety of commercial exchanges across the Sinai, and trade continued to form the primary basis of Gaza's economic growth.

In 1936, the Gaza District accounted for at least 36 percent of the total area under cultivation in Palestine, and the Gaza subdistrict accounted for at least 8 percent. Approximately 70 percent of the Gaza subdistrict's arable land was under cultivation. By 1945 Gaza town boasted wholesale and retail markets that played an important role in the country's agricultural marketing system. By the end of the Mandate, according to one observer, Gaza had evolved into

> a rather prosperous market town functioning as a collecting and forwarding center for the citrus, wheat, barley, and dura crops of the Gaza and Beersheva districts. About one-fifth of the whole Palestinian citrus crop and 150,000 tons of cereals were annually collected here and sent north, partly for export to Jaffa. There were small local industries and....[t]he popu-

> lation of what is now known as the Gaza Strip [enjoyed good] communications with the outside world. Both a tarmac road and the standard gauge railway line from Egypt to Haifa and Beirut ran through Gaza.[74]

However, although the Gaza and Beersheba subdistricts jointly accounted for a huge share of the area under cultivation in Mandatory Palestine, they had among the lowest productivity ratios for key crops, especially wheat, barley, and dura.[75] In 1935, for example, the Gaza District accounted for 70 percent of the total area under barley cultivation but 30 percent of crop yield.[76] One year later, barley production in the Gaza District fell by 50 percent. Fluctuating output ratios in the Gaza region were primarily due to irregular rainfall patterns, particularly in the desert climate of the Beersheba subdistrict. Declining yields in the mid-1930s also reduced the amount of production available for export, and to a lesser degree, the commercial importance of the Gaza market.

By 1944, the relative levels of production improved slightly for both the Gaza District and subdistrict.[77] Among all districts, the Gaza District produced the largest share of barley and dura, between 20 percent and 24 percent of wheat and melons (despite lower levels of productivity per dunum) and 20 percent of all citrus. In fact, one year before the end of World War II, the Gaza District produced close to 19 percent of total agricultural output (making it second among all districts), whereas the Gaza subdistrict produced close to 15 percent of Palestine's total (making it third among all subdistricts).[78]

Although the Gaza region was largely agricultural, it underwent certain changes in economic activity due in part to the wartime mobilization. Employment patterns in Gaza exhibited a similar diversity to national patterns among Arabs. Although the area that would become the Gaza Strip did not have an independent economic existence at this time, an occupational breakdown of the population living within the area of the Strip by 1947 reveals six occupational groups: (1) landowners who lost most of their holdings in 1948; (2) agricultural workers who lived in the Gaza Strip area; (3) individuals who were employed in the export or manufacture of agricultural products that originated in the Gaza District; (4) individuals who engaged in agriculture within the area that would become the Gaza Strip and exported their products domestically (approximately 20 percent of the population); (5) skilled workers employed by the Mandate authority; and (6) skilled workers employed by companies located outside the Gaza Strip boundaries.[79]

Clearly, agriculture dominated the economy and provided the basis for industrial activities linked to citrus processing and packaging. However, Gaza's important administrative status increased the number of clerical jobs, and the many military bases in the area employed numerous Gazans in construction and services. The discovery of sulphur deposits just south of Gaza in the late 1930s provided many additional, albeit temporary, jobs in mining.[80] However, despite some occupational diversification in the local economy, economic change occurred within a decidedly traditional framework. Indeed, the rising impor-

tance of the local Gazan service sector reflected the limited impact of industry and agriculture on employment generation and occupational change, itself indicative of the structural limitations on local economic development. Hence, the changes in Gaza's economy were confined to a social, economic, and political framework that in certain ways had not changed since Ottoman times. Market growth, for example, was not accompanied by changes in economic organization or social relations of production. Palestinians living in Gaza town and the larger Gaza region, like the majority of the Arab population, remained tied to precapitalist agriculture. Although industry had experienced limited growth and diversification, which was linked in large part to agriculture, the development of a modern sector was all but precluded, particularly by the emphasis on trade. In his multivolume history of Gaza, Palestinian historian Arif al-Arif states that by the end of World War II, the city had only eight physicians, eight lawyers, and two engineers. The only resident with a doctorate in chemistry had left for Iraq.[81]

The lack of structural transformation within the Gaza subdistrict economy did not preclude certain improvements in the standard of living, as reflected by specific indicators. However, when compared to changes in the Jewish sector, these same indicators reveal the gross disparities between the Arab and Jewish populations and the existence of two divergent economic realities, and underscore the lack of development in the Gaza area.

The rising standard of living in the Gaza region is supported by indicators such as population growth and declining infant mortality rates. Gaza subdistrict enjoyed considerable population growth during the Mandate period. Table 2.2 indicates that between 1922 and 1945, the population of Gaza town alone virtually doubled, whereas that of Khan Younis almost tripled. Together, they accounted for 33 percent of the population of the Gaza subdistrict in 1944 and were considered among Palestine's twelve principal towns. Table 2.2 also reveals the considerable population growth in the Strip's ten most populous localities (for which data are available).[82]

Table 2.2. Population of Individual Towns and Villages in the Gaza Strip (selected years)

Locality	1922	1931	1938	1944-45	% Increase 1931-45
Abasan		1,114	1,314	2,230	>100.0
Abu Middein		0	0	2,000	2000.0
Bani Suheila		2,063	2,730	3,220	56.1
Beit Hanoun		849	976	1,730	>100.0
Beit Lahiya		1,133	1,302	1,700	50.0
Deir el-Balah		1,587	1,823	2,560	61.3
Gaza	17,480	21,643	25,782	34,250	58.2
Jabalya		2,425	2,786	3,520	45.1
Khan Yunis	3,890	7,251	8,832	11,220	54.7
Khuza'a*		0	0	990	990.0
Nazla		944	1,085	1,330	40.8
Nuseirat		0	0	1,500	1500.0
Rafah		1,423	1,635	2,220	56.0
Sumeiri		0	0	1,000	1000.0
Total		40,432	48,265	69,470	71.8
Gaza Subdistrict	73,885	94,634	100,250	137,180	44.9
Gaza District	147,349	145,716	n/a	190,880	31.0
All Palestine	757,182	1,035,821	n/a	1,764,520	70.3

Source: 1922—David Gurevich, *Statistical Abstract of Palestine 1929* (Jerusalem: Keren Hayesod), 1930, pp. 25–28; Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1* (Jerusalem: Government Printer, 1946), pp. 147–51.
1931—E. Mills, *Census of Palestine 1931* (Jerusalem: Greek Convent and Goldberg Presses, 1932), 2–6; and *A Survey of Palestine*, pp. 147–51.
1938—Government of Palestine, Office of Village Statistics, *Statistical Abstract of Palestine* (Jerusalem: Government Printer, 1938); and Neu, p. 52.
1945—Government of Palestine, Office of Village Statistics, *Statistical Abstract of Palestine* (Jerusalem: Government Printer, 1945); Neu, pp. 52, 54; and Government of Palestine, Office of Village Statistics, *Statistical Abstract of Palestine 1944–45* (Jerusalem: Government Printer, 1946).
These figures do not reflect the many modifications in community structure that occurred after 1948 and 1967.
* The original name as it appeared in the 1945 census was Khirbet Ikhza'a.

As the Gaza subdistrict population grew, infant mortality declined, an important indicator of economic development. Aggregate figures for the subdistrict are not available. However, figures for subdistrict areas reveal a declining infant mortality rate. Between 1925 and 1944, for example, the infant mortality rate in Gaza town decreased by 10 percent to 158 per 1,000, whereas in

surrounding villages, the rate declined by a dramatic 30 percent from 222 to 156. However, the growth of the Gaza region and Gaza town appears less impressive when seen in the context of Jewish growth. For example, from 1927 to 1944, infant mortality rates among the country's Jewish population declined from 100 per 1,000 to 48 per 1,000. The national Muslim infant mortality rate, by contrast, stood at 121 per 1,000 in 1944, which also indicates Gaza's relatively weaker position among Muslims elsewhere in the country.[83]

Gaza's disadvantaged position was clear vis-à-vis towns with Jewish or mixed Jewish-Arab populations, such as Jerusalem, Haifa, Jaffa, and Tel Aviv. In 1920, municipal expenditure in Gaza equalled £ 0.26 per capita compared to £ 0.64 in Jerusalem and £ 0.88 in Jaffa. Between 1924 and 1928, Gaza received only £ 2,305 in government grant-in-aids or £ 0.13 per capita compared to a high of £ 63,637 or £ 1.0 per capita for Jerusalem, revealing but one aspect of the economic disparities between the Jewish and Arab sectors. However, among purely Arab towns in those same years, Gaza fared slightly better, as the tiny government grants of £ 0.03 per capita to Khan Younis and £ 0.002 per capita to Majdal would indicate.[84]

By 1944, municipal revenue in Gaza averaged £ 0.70 per capita (and £ 0.40 in Khan Younis), a slight sum when compared with £ 1.7 per capita for Jerusalem, £ 1.65 for Haifa, and £ 5.2 for Tel Aviv.[85] Expenditure on public works, itself an indicator of Gaza's underdevelopment, reveals similar disparities. Between 1936 and 1944, for example, public works expenditure in Gaza town was approximately £ 0.95 per capita. In Jerusalem, by contrast, public expenditure reached £ 1.75 per capita, £ 3.0 in Haifa, and £ 5.8 in Tel Aviv. Thus, whereas public works expenditure in Gaza accounted for only 1.5 percent of total expenditure for Palestine's twelve most prominent localities, public expenditure in Haifa and Tel Aviv equalled 18 percent and 44 percent of total expenditure, respectively.[86] The same pattern is reflected in building activity.[87]

The economic development of the Gaza region, like that of Palestine, was shaped by Britain's need to secure military control of the country and insure the political status quo. In Gaza, these objectives produced an economic policy that promoted commerce and trade without structurally modifying or investing in the economy. Thus, although the Gaza Strip region enjoyed growth associated with population increase, enhanced agricultural production, improved export marketing, and diversified employment opportunities, the precapitalist organization of economic activity and the methods of production underlying it remained largely unchanged, underdeveloped, and highly inefficient. Some local Gazan producers benefitted from the growing commodity market, but this did not represent the penetration of the capitalist mode of production into local agriculture. Rather, this and other changes in the organization of production are better regarded as temporary adaptations within an existing mode of production to "new conditions created by the world market and the embryonic capitalist enclave."[88] Thus, although some prosperity did accrue to the Gaza area during the Mandate, economic development did not.

Conclusion

The Palestinian economy underwent considerable growth between 1917 and 1945 that was largely attributable to the rapid development of the Jewish economy. By 1944, the Jewish community produced £ 73.4 million, or 60 percent of Palestine's national income, whereas the Arab sector of the economy, having experienced considerable expansion as well, accounted for the remaining 40 percent. Yet the Jewish and Arab sectors were becoming more and more segregated, not only by the level of internal growth taking place, but, more importantly, by the nature of that growth. Whereas the Jewish economy was increasingly characterized by structural transformation and the development of a modern sector along capitalist lines, the Arab economy was, at best, experiencing some sectoral expansion with limited structural change within parameters (i.e., system of land tenure, methods of agricultural and industrial production) that had not fundamentally changed since before the Mandate period. The Gaza region was illustrative of this. The evolution of two distinct socioeconomic orbits was neither entirely accidental nor entirely planned, but the result of policies that combined to limit the interaction between Jews and Arabs, and, in effect, promoted the development of one group at considerable cost to the other.

The period between 1917 and 1948 was important for the socioeconomic transformation of Palestine in general and Gaza in particular. The Palestinian economy grew increasingly differentiated as it moved from a predominantly agrarian base to one that possessed a modern industrial sector. The population of the country doubled as a result of high levels of Jewish immigration and natural increase among Arabs. New patterns of economic development emerged due to the introduction of capitalism in Palestine. Both British colonial policy and Zionist colonization played an important role in the economic and capitalist development of the country, and the Arab economy enjoyed marked growth as a result.

Although it never achieved the same degree of structural transformation as did the Jewish economy, the Arab economic sector was not an abandoned entity as it has been described, particularly when compared to other Arab state economies. Better living conditions contributed to the highest rate of natural increase in the Middle East. The influx of over 300,000 Jewish immigrants stimulated the development of an internal market. Capital transfers to the Arab sector (in the form of payments for land, wages, agricultural trade, and rent) amounted to £ 30 million between 1922 and 1941. These transfers catalyzed the horizontal growth of Arab industry as reflected by the greater number of commercial and industrial enterprises, the expansion of Arab citriculture, the increased urbanization of the Arab population, and enhanced opportunities for education and healthcare.[89] Concomitantly, Arab society experienced profound social differentiation with the emergence of new classes: wage laborers and a new Arab bourgeoisie consisting of middle-class capitalist entrepreneurs in in-

dustry and agriculture.[90] The Gaza region reflected some of these trends, including an improved standard of living—population growth and a declining infant mortality rate—some occupational diversification and social differentiation, and enhanced agricultural production and marketing. These indicators suggest that a process of development was taking place. Why, then, did the Arab sector fail to achieve any real economic development?

The answer lies in the economic separation of the Arab and Jewish sectors. More importantly, it lies in the dynamics underlying this separation created by the introduction of capitalist relations, which not only produced structural asymmetries between the two national economies or within the larger Palestinian economy, but created internal dislocations within the Arab sector that both distorted and precluded indigenous economic development. Although British policy was meant to appease mounting Arab anger, in the end its primary outcome was to encourage the development of a modern, well-organized, and highly institutionalized society at the expense of a traditional agrarian one. In doing so, the British authorities helped increase the disparities between the Arab and Jewish communities and inflamed existing hostilities (to the point where "Zionism for the Arabs ha[d] become a test of Western intentions"[91]) and created economic dynamics that would persist for decades. By 1939, therefore, the central problem confronting the aggregate Arab economy was not backwardness or the absence of structural change, but underdevelopment, or the deformation of structural change.

The Arab population in Palestine suffered as a result of the socioeconomic changes taking place during the Mandate. The economic dualism of Mandate Palestine not only prevented the emergence of an integrated Palestinian economy and more equitable sharing of resources (as figures comparing municipal revenue and expenditure in Gaza to other cities and towns in Palestine illustrate), but also removed any possibility for intercommunal interaction along social, cultural, political, or national lines. Those benefits that did accrue to the Arab sector were indirect and were obtained at a very high price—dislocation, dispossession, insecurity—and were beneficial only when compared with the position of non-Palestinian Arabs. In Palestine, the growing disparities and deepening separation between the largely traditional Arab economy and its increasingly modern Jewish counterpart were mediated by the fiscal, employment, and development policies of the Mandate administration, and the political-economic imperatives of the Zionist national movement. The former, in effect, succeeded in transferring surplus from the (predominantly Arab) peasant to the (predominantly Jewish) capitalist and was assisted in this endeavor by the collaboration of the nonproductive Arab classes who both benefited from the dualism of the Palestinian economy and willingly reinforced its structure. Indeed, the new demands of the state and of landowners forced the peasant beyond production for the family, or subsistence, into production of a surplus and into debt when a surplus could not be produced.[92] The Jewish community, armed with comparatively great financial resources, aimed at establishing an

autarkic national economy, as part of the larger political project that was the Jewish National Home.

Flapan, an Israeli historian, argues that the autarkic aspirations of the Jewish community during the Mandate were not intended to hurt the Arab population but were aimed at the creation of a new society that would reverse the egregious patterns of economic and social organization that had evolved in the diaspora. Intentions aside, the effects were something quite different. The exclusion and expulsion of Arab labor from Jewish enterprises, for example, and the eviction of Arab peasants from land purchased by Jews are but two illustrations of the practical outcomes of Zionist economic policy. Although these events are less important for their actual impact on the Arab economy (which was limited), they are extremely important for what they reveal about the Zionists inability or unwillingness to understand the implications of their policies for the development of the Arab economic sector, and for Arab public opinion.

Consequently, whether by design or defect, the Zionist movement consistently pointed to the obvious and measurable benefits accruing to the Arab economy as a result of Jewish colonization, benefits which, in the Zionist mind, clearly outweighed the gross differences between their two communities. Jewish writers, for example, pointed to the minimal impact of Jewish land purchase on the displacement of the Arab village population and the greater benefits obtained in wage labor over subsistence agriculture. They mistakenly dismissed the widening disparities between the two economies as irrelevant or as the inevitable outcome of Arab backwardness. Laski typified this attitude when he wrote: "If it is true that the Arab transport industry has suffered, this is quite obviously the outcome of the fact that the donkey and the camel do not successfully compete with the motorcar and the railway."[93]

Not only were Zionists oblivious to the problems attending the economic dominance of one community over another, they also saw no need to assist the Arab economy (such as through the provision of credit to the indebted small farmer) in any *direct* or substantive way. The singular focus on the development of an independent and self-contained Jewish economy evinced an unwillingness to initiate any policy of economic cooperation with the Arab community, which did a great deal to nurture the enduring enmity of that community. Not only was the *yishuv* blind to the dislocating impact of capitalist modernization on rural society, it also did not see (or did not care to see) that the problem of acute unemployment and landlessness among the Arab peasantry, to take two examples, could contribute to the political movement against Zionism.[94]

Economic change brought with it acute social change. Traditional Arab society, where cohesion derived from personal rather than economic ties, eventually found itself threatened by dissolution and weakened by the impact of new political and economic forces such as the changing class position of the Arab peasant from cultivator to wage laborer. It has already been noted, for example, that the wartime boom reversed the economic depression suffered by the Arab sector, when increasing numbers of agricultural workers were drawn

into casual wage labor in the cities or near their own villages. Having enjoyed the benefits of occupational mobility and higher wages at the expense of traditional social cohesion, many of these workers were reluctant to return to their home villages when the war ended, adding the problems of urban unemployment and rural reintegration to the internal dislocations of the Arab sector.[95]

In an effort to avert looming economic disaster in the wake of postwar demobilization, the Mandate administration implemented a military construction program that continued to provide employment on a number of military works projects, many of them located near Gaza. (One of Britain's three largest military bases was located in Rafah, with other important military facilities at el-Bureij and Nuseirat.) However, the perpetuation of military works was an inadequate measure, at best an economic palliative that temporarily averted the problem of large-scale unemployment among the Arab labor force, but provided nothing else. Rather, by attracting huge numbers of workers from all over Palestine, the Mandate program fueled the process of labor migration and the social dislocations that attended it, and did so under conditions that were no less insecure and that "played a major though forgotten role in the paralysis and panic that overtook the Arab masses in 1948."[96]

Hence, given the critical changes that redefined the Arab sector during the Mandate period, one can also argue that the Jewish and Arab economies did not develop separately, but that the processes that promoted the development of the former created the conditions for the underdevelopment of the latter.

Three important lessons emerge from a study of the Mandate. *First*, a distinction arises between *undevelopment* and *underdevelopment*. In this study, development is seen primarily as a process of economic and social structural change and transformation, which moves from the embryonic and irreducible to the differentiated and complex. By contrast, *un*development, or backwardness, is a static state where no such movement occurs, where conditions are neither appreciably enhanced nor worsened,[97] and where change is primarily functional rather than structural. An undeveloped society is isolated from the world capitalist order, and its productive forces are primitive or precapitalist. Undeveloped societies, therefore, have no market relations with industrialized nations. Certain features of undevelopment characterized the Palestinian economy during the Ottoman period prior to the nineteenth century.

Underdevelopment, however, is characterized by a very different set of socioeconomic conditions. It lies not at the opposite end of the development pole, but somewhere in between and to the side, outside any linear continuum of development. Unlike backwardness, underdevelopment does not describe a static state but a dynamic, ongoing process, which has been shaped by the expansion and consolidation of the capitalist system and has deviated from the path toward development in very specific ways. This deviation is characterized by the introduction and institutionalization of structural changes (by dominant, more powerful economies) whose outward appearances can be positive—economic growth—as well as negative—economic stagnation, social debilitation,

poverty, unemployment, and underemployment. Both sets of changes not only hinder the movement toward greater structural differentiation and integration, but distort it as well. In this way, underdevelopment is not to be confused with a precapitalist state of backwardness. Disfigured, the development process assumes a new organic gestalt and internal dynamism that is known as underdevelopment.

Second, the conditions of underdevelopment that have prevailed within the Arab sector, especially since the Mandate, and that have been consistently attributed by Israel and the West to the "natural poverty" of the Palestinians, to reactionary forces within Palestinian society, and to the regressive policies of occupying Arab regimes, are in fact rooted in the policies of the British colonial government and the Zionist national movement. *Third*, the character of Arab underdevelopment introduced during this period differed significantly from that which emerged in the nineteenth century when interaction with Europe began. It was a process that was shaped not by backwardness but by the introduction of capitalism as a mode of production and the dislocating changes to which it gave rise: the transformation of class relations within Arab society and the increasing separation of the Jewish and Arab sectors, which assumed altogether new dimensions in 1948.

Notes to Chapter 2:

1. See for example, Doreen Warriner, "Land Tenure Problems in the Fertile Crescent," in Charles Issawi (ed.), *The Economic History of the Middle East 1800–1914: A Book of Readings* (Chicago: University of Chicago, 1966), pp. 71–78; and Alexander Schölch, "European Penetration and the Economic Development of Palestine 1856–1882," in Roger Owen (ed.), *Studies in the Economic and Social History of Palestine in the Nineteenth and Twentieth Centuries* (Carbondale, IL: Southern Illinois University, 1982), pp. 10–54.

2. For a text establishing the Mandate, see Miscellaneous No. 3 (1921), *Draft Mandates For Mesopotamia and Palestine as Submitted for the Approval of the League of Nations* (London: His Majesty's Stationery Office, 1921). The Sykes–Picot Agreement, entered into by the Allied powers in 1916, placed Palestine (including Transjordan) and Iraq under the British sphere of influence.

3. Anglo–American Committee of Inquiry, *A Survey of Palestine*, 2 vols., and United Nations Special Committee on Palestine, *Supplement to a Survey of Palestine* (Jerusalem: Government Printer, 1946, 1947), p. 372 [Reprinted in 1991 by the Institute for Palestine Studies, Washington, D.C.].

4. See the Jewish Agency for Palestine, *The Jewish Plan for Palestine—Memoranda and Statements presented by The Jewish Agency For Palestine to the United Nations Special Committee on Palestine* (Jerusalem: The Jewish Agency, 1947), p. 76.

5. See Kenneth Stein, *The Land Question in Palestine, 1917–1939* (Chapel Hill: University of North Carolina, 1984); Ylana N. Miller, *Government and Society in Rural Palestine 1920–1948* (Austin: University of Texas Press, 1985); Rashid Khalidi, "Palestinian Peasant Resistance to Zionism Before World War I," in Edward W. Said and Christopher Hitchens (eds.), *Blaming the Victims: Spurious Scholarship and the Palestinian Question* (New York: Verso, 1988), pp. 207–33; Abraham Granovsky, *Land Policy in Palestine* (New York: Block Publishing Co., 1940), pp. 3–16; and Yehoshua Porath, *The Palestinian Arab National Movement: From Riots to Rebellion, Volume 2 1929–1939* (London: Frank Cass, 1977), pp. 80–108.

6. See Philip Mattar, "The Mufti of Jerusalem and the Politics of Palestine," *Middle East Journal* 42, no.2 (Spring 1988): pp. 227–40.

7. Palestine Royal Commission, *Peel Report* (London: His Majesty's Stationary Office, July 1937), p. 377.

8. Yehoyada Haim, *Abandonment of Illusions: Zionist Political Attitudes Toward Palestinian Arab Nationalism, 1936–1939* (Boulder, CO: Westview Press, 1983) for a discussion of Zionist responses to the Arab Revolt and the Peel Commission inquiry. Ben-Gurion's views on the problem are discussed in Shabtai Teveth, *Ben-Gurion and the Palestinian Arabs: From Peace to War* (New York: Oxford University Press, 1985), pp. 164–96.

9. Palestine Royal Commission, *Peel Report*, p. 368.

10. Sami Hadawi, *Palestinian Rights and Losses in 1948: A Comprehensive Study* (London: Saqi, 1988), pp. 79–80.

11. Talal Asad, "Class Transformation under the Mandate," *MERIP Reports* 53, (December 1976): pp. 4–5.

12. Asad, "Class Transformation," p. 4.

13. Sarah Graham-Brown, "The Political Economy of Jabal Nablus, 1920–48," in Owen (ed.), pp. 88–176, argues that the economic transformation of Palestine during the Mandate was also mediated by the discrepancies between economic life in the coastal plain and big cities, and that of the inland hill area.

14. *The Jewish Plan for Palestine*, p. 107. See also Walid Khalidi (ed.), *From Haven to Conquest: Readings in Zionism and the Palestine Problem Until 1948* (Washington, D.C.: Institute for Palestine Studies, 1987), pp. 201–11.

15. *The Jewish Plan for Palestine*, p. 106.

16. Other crops included dura, fruits, vegetables, and tobacco.

17. Roger Owen, "Economic Development in Mandatory Palestine," in George T. Abed (ed.), *The Palestinian Economy: Studies in Development under Prolonged Occupation* (London: Routledge, 1988), p. 21. Also see Montague Brown, "Agriculture," in Sa'id B. Himadeh (ed.), *Economic Organization of Palestine* (Beirut: The American Press, 1938), pp. 128–29.

18. Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1* (Jerusalem: Government Printer, 1946), pp. 461–74.

19. Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, 323–27; Brown, "Agriculture," in Himadeh (ed.), pp. 126–55; and Sir E. John Russell, "Agriculture in Palestine," in J.B. Hobman (ed.), *Palestine's Economic Future* (London: Percy Lund, Humphries & Co., Ltd., 1946), pp. 116–29.

20. Despite its relative position to Jewish agriculture, however, the Arab sector experienced significant increases in per capita agricultural production.

21. Nadav Halevi and Ruth Klinov-Malul, *The Economic Development of Israel* (New York: Praeger, 1968), p. 26. However, agriculture's contribution to national income had declined in both the Arab and Jewish sectors.

22. Halevi and Klinov-Malul, pp. 25–26 and table 6.

23. Rachelle Taqqu, "Peasants into Workmen: Internal Labor Migration and the Arab

Village Community under the Mandate," in Joel S. Migdal (ed.), *Palestinian Society and Politics* (Princeton, NJ: Princeton University Press, 1980), pp. 260–69; and Graham-Brown, "Political Economy," in Owen (ed.), p. 99.

24. Graham-Brown, "Political Economy," in Owen (ed.), p. 100.

25. Taqqu, p. 269.

26. Shulamit Carmi and Henry Rosenfeld, "The Origins of the Process of Proletarianization and Urbanization of Arab Peasants in Palestine," *Annals of the NY Academy of Sciences* 220, Article 6 (March 1974): 470–85.

27. See Salim Tamari, "The Dislocation and Reconstitution of a Peasantry: The Social Economy of Agrarian Palestine in the Central Highlands and the Jordan Valley 1960–1980," (Ph.D. diss., University of Manchester, Manchester, England, 1983).

28. Neu, p. 166; P.J. Loftus, *National Income of Palestine 1944* (Palestine: The Government Printer, 1945), p. 27; and Taqqu, p. 267. Although the majority of nonagricultural labor worked in the government and military, between 13,000 and 19,000 were employed in manufacturing, which proved a boost to Arab industry.

29. Taqqu, pp. 276–77. Another important reason behind the migration of labor was the underdeveloped nature of Arab agriculture, which seldom provided the *fellah* with full time work and created a constant labor surplus. See Henry Rosenfeld, "From Peasantry to Wage Labor and Residual Peasantry: The Transformation of an Arab Village," in Robert A. Manners (ed.), *Process and Pattern in Culture: Essays in Honor of Julian H. Steward* (Chicago: Aldine Publishing Co., 1964), pp. 211–34.

30. The difference between the size of the Arab and Jewish economies can be seen in industry. By 1945, 31,800 Jews were engaged in manufacturing, an increase of about 30 percent from 1936. Industry's share of national income in the Jewish sector rose dramatically from 26 percent in 1936 to 41 percent in 1945, and the amount of Jewish capital invested in industry rose from £P 2,095,000 in 1930 to £P 20,523,000 in 1944. Corresponding figures from the Arab sector, however, show that the share of manufacturing in national income fell from 13.6 percent to 10.8 percent, indicating not only the lack of structural change and limited industrial capacity, but the concentration of Jewish capital largely if not entirely within the Jewish sector. Jewish industry was producing over 80 percent of Palestine's total industrial output. See Halevi and Klinov-Malul, 26; and Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 2* (Jerusalem: Government Printer, 1946–47), pp. 1011–12; and Owen, "Economic Development in Mandatory Palestine," in Abed (ed.), p. 30.

31. See Graham-Brown, "Political Economy," in Owen (ed.), pp. 144–54.

32. M.F. Abcarius, "Fiscal System," in Himadeh (ed.), pp. 546–47.

33. Abcarius, "Fiscal System," in Himadeh (ed.), pp. 551–54.

34. Asad, p. 5.

35. Abcarius, "Fiscal System," in Himadeh (ed.), pp. 515, 530.

36. Abcarius, "Fiscal System," in Himadeh (ed.), p. 531; and David Horowitz and Rita Hinden, *Economic Survey of Palestine* (Tel Aviv: The Jewish Agency for Palestine, 1938), 155. Graham-Brown, "Political Economy," in Owen (ed.), p. 137, citing a communication from the High Commissioner to the Secretary of State for the Colonies on 15 November 1932, offers another interpretation. The communication states that because a large percentage of goods consumed by the rural Arab population were imported duty free from Syria, the burden of indirect taxation fell more heavily on the urban population. Jacob Metzer, "Fiscal Incidence and Resource Transfer between Jews and Arabs in Mandatory Palestine," *Research in Economic History* 7, (1982): 87–132, describes the more progressive aspects of the tax structure.

37. See Albert M. Hyamson, *Palestine under the Mandate: 1920–1948* (London: Methuen, 1950).

38. Asad, p. 5.

39. Graham-Brown, "Political Economy," in Owen (ed.), p. 95.

40. Abcarius, "Fiscal System," in Himadeh (ed.), pp. 520, 555.

41. George Hakim and M.Y. El-Hussayni, "Monetary and Banking System," in Himadeh (ed.), pp. 496–99.

42. Himadeh, pp. 234–45. It should also be noted that the expansion of Arab industrial activity was in part financed by the considerable growth of Palestine's urban population, largely the result of Jewish immigration. The presence of a growing Jewish population created markets for certain Arab-produced commodities.

43. Government of Palestine, *Statistical Abstract of Palestine 1944–45*, pp. 51–62. However, between 1936 and 1945, output per Arab worker increased four times. Simha Flapan, *Zionism and the Palestinians* (New York: Barnes and Noble Books, 1979), p. 197.

44. See Tamari, "The Dislocation and Reconstitution of a Peasantry."

45. Included were the World Zionist Organization and later the Jewish Agency for Palestine, the Palestine Foundation Fund, the Jewish National Fund, and Hadassah. For a discussion of these institutions and their finances, see *The Palestine Economist Annual —1948: A Review of Palestine's Economy* (Jerusalem: Azriel Printing Works, 1948), pp. 10–40.

46. Halevi and Klinov-Malul, p. 29.

47. Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 101.

48. Flapan, p. 199; Halevi and Klinov-Malul, p. 31; and Granovsky, p. 13.

49. Haim, p. 3.

50. Teveth, p. 155.

51. Haim, p. 3. The economic effect of Zionist colonization on the Arab community has been argued from opposing perspectives, a debate that is beyond the scope of this chapter to address.

52. *The Jewish Plan for Palestine*, p. 340.

53. Flapan, pp. 197–98, states that whereas Palestinian Arabs obtained an annual per capital income of £ 27 (sterling), Egyptians earned £ 12 per capita whereas Syrians and Lebanese earned £ 16. Similarly, the wages of Arabs in Palestine were four to five times greater than wages obtained in Egypt, and annual government expenditures per capita were £ 4.4 for Arabs in Palestine compared to £ 2.3 and £ 1.8 per person in Egypt and Lebanon respectively.

54. Flapan, p. 199.

55. Ibid., pp. 198–99.

56. Metzer, p. 87.

57. One of the few areas in which Arabs and Jews cooperated was citrus production. Both communities owned almost equal shares of cultivated land. Both groups worked together in the Palestine Potash Works and more informally in local markets.

58. Flapan, pp. 200–201. Lowdermilk attempts to rationalize and justify Zionist labor policy, claiming that in the long-term, it would benefit both peoples. (Emphasis added.)

59. Nathan Weinstock, "The Impact of Zionist Colonization on Palestinian Arab Society before 1948," *Journal of Palestine Studies* 2, no.2 (Winter 1973): 62.

60. Teveth, p. 166; and Haim, pp. 69–86.

61. Taqqu, p. 263.

62. Horowitz and Hinden, p. 206.

63. See W.J. Johnson and R.E.H. Crosbie, *Report of a Committee on the Economic Condition of Agriculturalists in Palestine and the Fiscal Measures of the Government Thereto* (Jerusalem: Government Printing and Stationery Office, 1930); and Sir John-Hope Simpson, *Report on Immigration, Land Settlement and Development* (London: His Majesty's Stationery Office, 1930). Also see Flapan, pp. 210–11; and Owen, "Economic Development in Mandatory Palestine," in Abed (ed.), p. 21.

64. Graham-Brown, "Political Economy," in Owen (ed.), p. 125.

65. Between 1940 and 1944, Arab land purchases from other Arabs nearly doubled from 33,000 dunums to 34,000 dunums and the value of such purchases increased five-fold. See Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 212.

66. Horowitz and Hinden, pp. 204–205.

67. Carol Farhi, *The Gaza Strip* (Jerusalem: Legal Service, Ministry of Justice, 1971), 88; and Robert R. Nathan, Oscar Glass and Daniel Creamer, *Palestine: Problem and Promise—An Economic Study* (Washington, DC: Public Affairs Institute, 1946), p. 187.

68. Porath, p. 85.

69. Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, p. 245.

70. Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 2; and Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, pp. 104–105. The other five districts were Lydda (1,206 sq. kms.); Jerusalem (4,334 sq. kms.); Samaria (3,266 sq. kms.); Haifa (1,021 sq. kms.); and Galilee (2,804 sq. kms.). Palestine had sixteen subdistricts, of which Gaza was the fifth largest.

71. David Gurevich, *Statistical Abstract of Palestine 1929* (Jerusalem: Keren Hayesod, 1930), p. 78.

72. Irrigated cultivation first came to the Gaza Strip region at the turn of the century with the arrival of industrialization and the introduction of machinery to pump water from deep wells.

73. In 1927 and 1928, the Gaza subdistrict was second only to Jaffa in the annual production of wheat, and produced 12.3 percent and 14.3 percent respectively of Palestine's total wheat crop. Barley stood at 15.1 percent of total yield in 1926 and 20 percent in 1928. Gurevich, pp. 82–83.

74. James Baster, "Economic Review: Economic Problems in the Gaza Strip," *Middle East Journal* 19, no.3 (Summer 1955): 323. See also Van Arkadie, pp. 28–29.

75. Calculated from Himadeh, pp. 126–55. Productivity ratios for the Beersheba subdistrict were much lower than those of the Gaza subdistrict, which were closer to the average for other subdistricts.

76. Calculated from Himadeh, pp. 126–27, 130, 131, 134, 136, 377. In 1936, the Gaza subdistrict alone accounted for 20 percent of the land planted with dura and 31 percent of grape cultivation, but only 6 percent and 11 percent of total output, respectively. District figures were only slightly higher.

77. Productivity was greater by a factor of five in the Jewish sector for all crops as a whole.

78. These figures exclude citrus.

79. Mohammed Ali Khulusi, *Economic Development in the Gaza Strip—Palestine 1948–1962* (in Arabic) (Cairo: United Commercial Printhouse, 1967), pp. 40–43. Khulusi puts that population of the Gaza Strip area at 88,000 in 1947, which is higher than what one might expect based on official population estimates in 1945. See Table 2.2.

80. Himadeh, pp. 63, 66.

81. Nimrod Raphaeli, "Gaza under Four Administrations," *Public Administration in Israel and Abroad 1968* 9, (1969): 44.

82. The Gaza subdistrict consisted of sixty-six villages and localities, fourteen of which were incorporated into the Gaza Strip. Four localities consisted of three bedouin communities (Abu Middain, Nuseirat, and Sumeiri) that were treated as localities with no permanent population, and one locality, Khuza'a, which had no permanent population until 1945. Technically there were sixteen localities but two, Dimra and Beersheba, retained no Arab population after 1948. However, portions of their land were incorporated into the Gaza Strip. See Neu, p. 53.

83. Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 28.

84. Gurevich, p. 251. Population figures for 1922 were used to calculate per capita averages since population figures for the years mentioned were not available. See Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, p. 148.

85. Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 84. Population figures for 1944 were used to calculate per capita sums. See Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, p. 150.

86. Calculated from Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 288 and Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, 150. Population figures for 1944 were used to calculate per capita averages.

87. Between 1936 and 1944, 1,414 building permits were issued in Gaza and 434 in Khan Younis, valued at £ 3.4 and £ 1.1 per capita, respectively. By contrast, 5,209 building permits with a per capita value of £ 24.6 were issued in Jerusalem, 5,061 permits worth £ 29 per capita were issued in Tel Aviv, and 6,239 permits totalling £ 121 per capita were issued in Haifa, indicating far greater growth and prosperity in the urban and Jewish sectors. Calculated from Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 267, and Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, p. 150. Population figures for 1944 were used to calculate per capita averages.

88. Graham-Brown, "Political Economy," in Owen (ed.), p. 137.

89. Flapan, pp. 223–24.

90. By 1947, the Arab community consisted of five distinct social groups: bedouins,

fellahin (peasantry and agricultural labor), urban upper class (effendis), urban middle class (wholesale merchants, shopkeepers, teachers, minor government officials), and urban masses (artisans, unskilled labor, and the unemployed). Rony E. Gabbay, *A Political Study of the Arab-Jewish Conflict: The Arab Refugee Problem (A Case Study)* (Geneva: Libairie E. Droz, 1959), pp. 8–14.

91. Anglo-American Committee of Inquiry, *Report to the United States Government and His Majesty's Government in the United Kingdom* (Washington, DC: United States Government Printing Office, 1946), p. 34.

92. Graham-Brown, "Political Economy," in Owen (ed.), p. 135.

93. Harold J. Laski, "Palestine: The Economic Aspect," in Hobman (ed.), p. 35.

94. Flapan, pp. 223–232, provides more detailed insights on this and other points. Writing in 1946, the Anglo-American Committee of Inquiry *Report to the United States Government*, p. 40, concluded: Too often the Jew is content to refer to the indirect benefits accruing to the Arabs from his coming, and to leave the matter there. Passionately loving every foot of Eretz Israel, he finds it almost impossible to look at the issue from the Arab point of view, and to realize the depth of feeling aroused by his "invasion" of Palestine. He compares his own achievements with the slow improvements made by the Arab village, always to the disadvantage of the latter; and forgets the enormous financial, educational and technical advantages bestowed upon him by world Zionism. When challenged on his relations with the Arabs, he is too often content to point out the superficial friendliness of everyday life in town and village—a friendliness which indubitably exists. In so doing, he sometimes ignores the deep political antagonism which inspires the whole Arab community; or thinks that he has explained it away by stating that it is the "result of self-seeking propaganda by the rich effendi class." It is not unfair to say that the Jewish community in Palestine has never, as a community, faced the problem of cooperation with the Arabs. It is, for instance, significant that, in the Jewish Agency's proposal for a Jewish State, the problem of handling a million and a quarter Arabs is dealt with in the vaguest of generalities.

95. Taqqu, pp. 281–282.

96. Ibid., p. 284.

97. See Walter Rodney, *How Europe Underdeveloped Africa* (London: Bogle-L'Ouverture Publishers, 1972).

3

Gaza under Egyptian Military Administration (1948–1967) — Defining the Structure of the Gaza Strip Economy

Political Developments

1948-1957

As a result of the 1948 war, two-thirds of the district that had been Gaza under the Mandate were incorporated into Israel. The entity known as the Gaza Strip was formally created with the signing of the Egyptian-Israeli General Armistice Agreement on 24 February 1949.[1] This entity, which was just over 1 percent of Mandatory Palestine and less than one-third of the area designated under the UN Partition Plan, included Gaza City and thirteen other Palestinian localities.

Within days of signing the agreement, Israel violated that agreement by taking measures designed to empty the southern area of Israel of its remaining Arab inhabitants.[2] Expulsions took place in al-Faluja and Majdal (now part of the Israeli cities of Qiryat Gat and Ashkelon); the regional director of the American Friends Service Committee, Delbert Replogle, witnessed events in al-Faluja and wrote on 20 March 1949:

> ...when the Jews entered Faluja...[they] systematically, by indiscriminate shooting, not at people but in the air, night and day for some three days, when they first came into the village, by some looting, by assimilated attempts at rape, terrorized the residents so that they would want to leave their homes.[3]

Those evicted or scared out of their homes entered the already swollen Gaza Strip where they were effectively trapped, owing to an Israeli emergency regulation that prohibited anyone from crossing the armistice demarcation line into Israel without a special permit.[4]

Separated from the agricultural area it once served as well as from the rest of Palestine, the Gaza Strip became an occupied territory under Egyptian military rule. During the early years of its military administration, Egypt's policies were designed to centralize authority and power in the military. Little was done to improve the social and economic conditions of the refugee community or of the indigenous (pre-1948) population. The Egyptian army imposed harsh and total control over Gaza's civil and security affairs. All public offices, social services, and legal, judicial, and commercial activities were under the aegis of the Egyptian military governor. Egyptians held all high-level administrative positions and assumed control over appointments in areas such as health, education, and commerce. Refugees were excluded from mainstream social and economic affairs, and indigenous Gazans were carefully monitored. Officially classified as "stateless," Palestinians in the Gaza Strip were ineligible for any passport. Beginning in 1952, special military exit permits were required for travel abroad or to Egypt. A nightly curfew was imposed, and the penalties for breaking it were severe.[5]

The immediate post-war situation in Gaza was extremely difficult. Much of the Strip's agricultural and grazing land had been lost to Israel, and its port had been closed. As a result, the indigenous economy all but collapsed. By 1949, Gaza's small-scale, predominantly rural socioeconomic structure was overwhelmed by masses of new refugees, who presented an urgent problem. Politically, the issues of repatriation and compensation were foremost in the minds of the refugees. The refugees fell under the domain of the United Nations Palestine Conciliation Commission (PCC) and the United States. In his early mediation efforts, Count Bernadotte, the UN Mediator in Palestine, enunciated the absolute right of the refugees to return to their homes as soon as possible, a position that was formalized in UN General Assembly resolution 194 of 11 December 1948.[6] Initially, Count Bernadotte suggested that the emergency situation in which the refugees found themselves was temporary and would be resolved through a peaceful settlement of the Arab-Israeli conflict. However, it soon became clear that Israel would never allow a complete repatriation, and that practically, such repatriation would be impossible. In a letter to Claude de Boisanger, the French chairman of the PCC, the director of Israel's Foreign Ministry wrote:

> The war that was fought in Palestine was bitter and destructive, and it would be doing the refugees a disservice to let them persist in the belief that if they returned, they would find their homes or shops or fields intact. In certain cases, it would be difficult for them even to identify the sites upon which their villages once stood....[The absorption of Jewish immigrants] might have been impossible altogether if the houses abandoned by the Ar-

> abs had not stood empty ....Generally, it can be said that any Arab house that survived the impact of the war...now shelters a Jewish family.[7]

The Arab states also refused to absorb the displaced Palestinians, insisting on their return to their homes. This left the refugees in limbo in their ad hoc camps in the West Bank, Gaza, Jordan, Lebanon, and Syria. Predictably, the refugee problem became the focus of the Arab negotiating position, whereas the problem of territory was the focus of Israel's.

Gaza figured prominently in negotiations over the area's fate. Both the sovereignty of the Strip and the fate of its refugees were hotly contested. The Egyptians, Jordanians, Palestinians, and Israelis all vied for control of Gaza. The Egyptians favored an independent, separate Arab state in Palestine, including Gaza, vehemently rejecting any territorial division of Mandate Palestine. The fledgling Israeli government sought additional territories beyond those designated to it by the UN partition plan. Prime Minister Ben-Gurion wanted the remaining portion of the Negev not originally alloted to the Jewish state, as well as the city of Gaza, two areas the Egyptians were using as bases to attack Israel.[8] King Abdullah of Jordan secretly sought to annex the West Bank and Gaza.[9] Abdullah engaged in secret negotiations with Israeli prime minister Ben-Gurion from 1949 to 1950, in which he pushed hard for the Gaza Strip, which would give Jordan access to the sea. In part to thwart King Abdullah's federative ambitions in Palestine, the Arab League established the All-Palestine Government in Gaza in September 1948. This provisional government was committed to Palestine's territorial unity. It represented Palestine's first real experiment with self-government.

Headed by the unpopular Mufti of Jerusalem, the All-Palestine Government was the doomed byproduct of the political struggles between Cairo and Amman.[10] Iraq, Syria, and Lebanon recognized the Gaza government and declared it to be the legitimate representative of the Palestinian people. King Abdullah, who wanted to be declared arbiter of the Palestinian cause, refused to recognize the provisional government and organized the rival First Palestinian Congress, composed of West Bank notables whose political allegiance to the King was unquestioned. The All-Palestine Government ultimately failed, due to inter-Arab struggles and to its own weakness. Its fate was sealed when Abdullah formally annexed the West Bank in December 1948; the Egyptian government signed an armistice with Israel two months later and took over administration of the Gaza Strip.[11]

The Arabs continued to insist that Israel acknowledge the refugees' right of return, whereas the Israelis first demanded a territorial settlement that would provide the context for a resolution to the refugee problem. After months of fruitless negotiations at Lausanne (April to August 1949), the Israeli government, under increasing pressure from the United States and the UN, proposed the Gaza Plan.[12]

The Gaza Plan represented the only official Israeli attempt to address the Palestinian refugee problem since 1948. Under the plan, the entire Gaza Strip

and its inhabitants would become a part of Israel upon the signing of a peace treaty. Israel would acquire the strategic Gaza corridor, deprive Egypt of its last military foothold in Palestine (the "sole tangible trophy of [the] Palestine campaign"[13]), and reduce pressure for a full repatriation of the refugees. Egypt would be relieved of its refugee burden but would lose its only wartime acquisition. Several key parties to the conflict had reason to take the Gaza Plan seriously. Cairo feared the territorial ambitions of King Abdullah. U.S. officials latched onto it as the key to resolving the conflict in the region. Consequently, the U.S. State Department became more involved in the negotiations. It insisted that in return for giving up the Gaza Strip, the Egyptians receive a part of the Negev. The Egyptians, outraged at the thought of a refugee-for-territory deal, responded with "great... and...contemptuous surprise that the government of a great nation such as [the] U.S. should lend itself to such [a] disreputable scheme."[14] In the end, the plan died.[15]

In the U.S. view, Israel's refusal to return the refugees had torpedoed the Gaza Plan, and tensions between the two governments escalated. Soon after the Gaza Plan interlude the Lausanne meetings reconvened. Under U.S. pressure, the Israeli government came up with an offer it knew would not be accepted: Israel would reabsorb 100,000 refugees if there was a settlement, and if the Arab states agreed to absorb the remaining majority of refugees within their own boundaries. The latter immediately rejected the offer.[16] The United States protested that under the Gaza Plan, the Israelis had implied their readiness to accept three times as many refugees. By the end of 1949, it was clear that nothing could overcome the impasse between Israel and the Arab states. As the prospects for full repatriation dimmed, the need for resettlement intensified. The United States then turned to the economic domain and together with the United Nations organized the Clapp Commission to investigate the possibilities of generating useful employment for refugees in the Arab host countries. The operating assumption of the commission was that the economic rehabilitation and resettlement of the refugee community would facilitate a political settlement of the Arab-Israeli dispute, an assumption that would prove entirely false.

On 1 May 1950, in response to the commission's findings, UNRWA began relief operations for the Gazan refugees, who were living in open encampments along the seashore and in citrus groves. By 1952, UNRWA had established eight camps in the Gaza Strip and assumed total responsibility for the refugee community, two-thirds of whom were dependent on UNRWA for food, housing, health care, and education. UNRWA initially had a one-year mandate but this has been renewed regularly since 1950. Palestinians have never wanted UNRWA to be more than a provisional body; to accept otherwise would be tantamount to renouncing their right of return.

The refugees were bitter and frustrated by their living conditions, the lack of progress over determining their fate, and their inability to return to their homes across the armistice line. Many began to cross into Israel to search for missing relatives, reestablish contact with family members who remained un-

der Israeli rule, recover valuables left behind in flight, or find food. Some even returned to plough their own fields, which Israel considered "infiltrations for economic reasons." The majority of the Palestinians who infiltrated were unarmed, poor, and hungry. Through the early 1950s, an estimated 5,000–10,000 infiltrations occurred; each year approximately 500 Palestinians were shot on sight and killed.[17] By 1953, incursions assumed violent dimensions, with both sides engaging in a game of retaliation and counterretaliation.

In addition to growing refugee frustration, incursions into Israel became increasingly violent for two reasons: political activity by the Communist party and the Muslim Brotherhood in Gaza, and Israeli provocations. Egypt banned almost all forms of political expression and organization in the Gaza Strip. Consequently, the Communist party and the Muslim Brotherhood, both underground political movements at the time, provided the wells of political activism in the Strip and were strongly supported by the refugee community. Their activity, particularly between 1953 and 1959, included attacks against Israel, which brought Israeli retaliation in the Strip.

Despite the actions of the communists and Muslim Brothers, however, no organized Palestinian resistance movement existed that could seriously threaten Israel. Nonetheless, the Israeli government exploited the situation through a policy of direct provocation that had the intended effect of intensifying Arab anger and exacerbating Jewish fears.[18] A serious incident occurred in August 1953, when an Israeli army unit headed by Ariel Sharon launched a nighttime raid in el-Bureij refugee camp, killing at least fifty Palestinians and wounding many more. The reaction in Gaza was immediate and violent. The Egyptian government, fearing continued Israeli attacks, imposed harsher security measures on Gaza residents, including widespread arrests.

As the violent incidents across the armistice line became more frequent and more serious, the tenuous relationship that had existed between Egypt and Israel since the end of the war began to break down. On 28 February 1955, Israel attacked an Egyptian military installation in Gaza. The attack was unprecedented in scale: thirty-nine people were killed. Less than a month after the attack, Ben-Gurion proposed the permanent occupation of the Gaza Strip, using Israel's provocative act to create a pretext for occupation. Moshe Sharett, Israel's foreign minister, makes it clear that the attack occurred at a time of relative tranquility after Egypt had enforced harsh security measures on Gaza. He also makes it clear that President Nasir sought a peaceful resolution to the conflict but that Ben-Gurion and Dayan sought precisely the opposite, in order to facilitate the expansion of Israel's borders and insure popular commitment to that expansion. Sharett writes:

> The conclusions from Dayan's words are clear: This State has no international worries, no economic problems. The question of peace is nonexistent....It must calculate its steps narrowmindedly and live by the sword. It must see the sword as the main, if not the only, instrument with which to keep its morale high and to retain its moral tension. Towards this end it

> may, no—it must—invent dangers, and to do this it must adopt the method of provocation and revenge....And above all—let us hope for a new war with the Arab countries, so that we may finally get rid of our troubles and acquire our space. (Such a slip of the tongue: Ben-Gurion himself said that it would be worth while to pay an Arab a million pounds to start a war).[19]

The proposal was ultimately rejected by the Israeli cabinet.[20]

The Gaza raid proved to be a major turning point in Egyptian-Israeli relations and in Middle East history. It helped convince President Nasir to reorient his foreign policy priorities from a preoccupation with internal and inter-Arab matters to the wider conflict between Israel and the Arab states.[21] The policy of preventing border forays thus gave way to one that actively and openly sponsored guerrilla raids into Israel, and turned the resistance fighters into an official instrument of Egypt's new offensive approach to Israel.[22] Israeli policy completed a similar shift that had begun before the Gaza raid, from one that emphasized defense and restraint (Sharett) to one that favored preventive war (Ben-Gurion), finally culminating in the 1956 Suez war.

The Suez war was precipitated by President Nasir's decision to close the Straits of Tiran and nationalize the Suez Canal, an event that allied Great Britain to Israel and France. Ben-Gurion seized the opportunity and on 29 October 1956, attacked the Gaza Strip with the objectives of eradicating all guerrillas and Egyptian bases, keeping the Straits of Tiran open, and forcing Egypt into a range of territorial concessions. The armistice with Egypt was declared to be "beyond repair" and, in effect, was abrogated.

For the Israelis, the Suez campaign was very successful: Israel soon found itself in possession of Gaza, which it controlled from November 1956 to March 1957, as well as most of the Sinai peninsula.[23] Israel's control over the Gaza Strip, which Ben-Gurion had long anticipated, had been intended as permanent for geographic and defense reasons. The prime minister immediately announced that Israel had no intention of withdrawing from the Gaza Strip, which was declared to be "an integral part not only of the historic Jewish past, but also of the Palestine of the Balfour Declaration, and never a part of Egypt,"[24] and that Egypt would not be allowed to return.

Israel's first occupation of Gaza was two-sided. On one hand, it was extremely harsh. Considerable damage was done to local infrastructure, and clashes with the local population were constant. On the other hand, it brought a degree of normalcy as the government sought to control the situation. On 25 November 1956, Israel's cabinet approved an eight-point plan for the Gaza Strip designed to restore normal life to the territory and institutionalize Israeli control. The eight steps were: (1) the restoration of municipal government in Gaza and other towns in the area; (2) the full cooperation with UNRWA on the provision of food and other social services to the refugees; (3) the full restoration of fishing along the coast; (4) the freeing of communication facilities between the agricultural hinterland of the Strip and the towns and villages; (5) the provision of basic food stocks at subsidized prices from government of Israel stocks to

the local nonrefugee population; (6) the marketing of agricultural produce—particularly citrus and dates—from the Strip, and the export of citrus and date surpluses in Israel; (7) the opening of bank and credit facilities; and (8) the improvement of water, electricity, and other services.[25]

Within weeks of occupying Gaza, the government had announced plans for the future development of the Gaza Strip, whose "geographic and economics links...are with Israel and not with Egypt, from which it is separated by scores of miles of desert."[26] For example, the Israel Marketing Board had exported 100,000 cases of Gaza citrus, purchased other agricultural products, and made plans to integrate Gaza's irrigation network into the Israeli national water system.[27] Israel renewed the licenses of 600 fishermen and proposed the marketing of Gaza sardines to Israel at several tons a month. The military government also announced plans to plant 5,100 dunums (one dunum is one-quarter acre) of Gaza's land with fruit trees.[28] The commerce ministry planned to develop certain Gazan industries, and the labor ministry had commissioned population and employment surveys. The transportation ministry was replacing local auto licence plates with new Hebrew ones. Although Israel's occupation of the Gaza Strip at this time was very short-lived, its policy approach foreshadowed official policies after 1967 that resulted in de-development. As it would be later during the second occupation, Israel's aim was to control the land, and the mechanism used to do so was economic integration. The measures implemented suggested that integration was defined to produce better living conditions not structural change.

Israel's withdrawal from Gaza in March 1957 did not occur voluntarily, but under considerable international pressure, most notably from the United States (which threatened to impose economic sanctions) and from the Soviet Union. Not surprisingly, Israel vehemently rejected the reinstatement of Egyptian administration in Gaza. In compromise, the United Nations Emergency Force (UNEF) was assigned responsibility for civil affairs in the territory, but popular support in Gaza for the return of Egyptian rule quickly precluded any but a military role for the UNEF, a reality to which Israel as well as Great Britain vociferously objected.[29] The Egyptians assumed control over the civil administration while the UNEF, stationed on Egypt's side of the armistice line, patrolled the tenuous border with Israel as well as Sharm el-Sheikh at the tip of the Sinai.

1957–1967

The ten years between 1957 and 1967 brought greater Egyptian attention to the needs of Gaza's residents.

The tenor of political discourse in Gaza changed after Israel withdrew. During the Suez crisis and the first Israeli occupation, Gazans, for the first time since 1948, confronted and resisted Israel. Although Palestinian thinking did not undergo major conceptual changes, Suez had a significant impact: it demonstrated that Palestinians could pressure Israel. Within a year of Israel's evacu-

ation of the Gaza Strip, Fatah was born.[30] After 1957, Gamal Abd al-Nasir emerged as a major proponent of the Palestinian cause, as well as the personal embodiment of the Pan-Arab movement.[31] However, competition from political rivals in Amman, Baghdad, and Jerusalem threatened Nasir's strong position among Arabs and among Palestinians in particular, with whom he had few common bonds.[32]

To secure his base of support in Gaza, Nasir expanded the boundaries for political expression. In so doing, he assigned Gaza a position of singular importance in the struggle for Palestine:

> The development of events in the Arab world, including revolutionary movements, has increased the importance of the part played by the Gaza sector as vanguard for the liberation of Palestine. This unyielding sector is the only part of Palestine which still preserves its Palestinian character. It is, therefore, natural that the first shot for the liberation of Palestine should be fired from the Gaza sector....The United Arab Republic...has always been intent on the preservation of the Palestinian structure, and has turned Gaza into the nucleus of the awaited Arab Palestinian state.[33]

Four notable alterations did occur inside Gaza after 1957 that provided the basis for enhanced political activity. The first change originated in Cairo with President Nasir's establishment of the Arab Socialist Union (ASU), the only political party in Egypt at the time.[34] In December 1959, the Palestine National Union (*al-Ittihad al-Qawmi al-Falastini*) was established in the Gaza Strip. In January 1961, the first and last elections to the union in Gaza took place. The second change occurred in 1962 and concerned the leadership of Gaza's legislative council, a political organ established five years earlier. Formerly in the hands of an Egyptian official, the chairmanship of the council was given to a local Palestinian, Dr. Haidar Abd al-Shafi. Half of its representatives were elected by members of the Palestine National Union branches in Gaza; the other half were appointed by the Egyptian governor-general. In March 1962, the government formalized these changes when it issued Law No. 255, which provided Gaza with a constitution and a system of law.[35]

Third, certain kinds of organizations were established. In 1963, the Palestine Student Organization, associated with underground political activism, was permitted to hold a conference in Gaza. The Egyptians also approved the formation of the General Federation of Trade Unions in Gaza in 1964 and the Palestinian Women's Union. However, harsh measures restricting the freedom of the press and of assembly continued as they did inside Egypt itself.[36]

Perhaps the most significant change in the political character of the Gaza Strip during this period was the establishment of the PLO. Sponsored by the Arab League at the first Arab Summit in January 1964, the PLO held its first conference later that year in Jerusalem with several Gaza residents participating. This conference drafted a Palestinian declaration of independence, known as the National Covenant, and the General Principles of a Fundamental Law, which provided the PLO with a constitution. As a result of the Fundamental

Law, the Palestine National Council (PNC) was formed to serve as the PLO parliament; its fifteen-member executive committee included three Gaza residents.

At its inception, the PLO was not meant as a political vehicle for Palestinian liberation, but as an instrument of Arab state control over the disaffected Palestinian masses. In its first three years, the PLO could not engage in real political activity, but it provided an important framework for the development of Palestinian institutions.[37] During this time, however, the military arm of the PLO, the Palestinian Liberation Army (PLA), was established as a conventional force of Palestinian recruits. Given the increasing tension in the Strip, Gazans received Egyptian sanction to open PLA military training camps for refugee youth, where support for the organization was strongest. Despite continued prohibitions on political movements, the Egyptians supplied the PLA with light arms and allowed it to set up a base in Gaza. In 1965, Fatah was formally organized as a liberation movement. After the Arab defeat in 1967, Fatah assumed control of the PLO.

Between the birth of the PLO in Gaza in 1964 and Israel's occupation on 6 June 1967, little violence broke out across Gaza-Israel lines. The UNEF patrolled the armistice line until Nasir replaced it with his own military on 21 May 1967, thereby removing the last restraint on direct confrontation between the Egyptian and Israeli armies. Twenty-four hours later, in a context of acute tension emanating from the growing possibility of an Israeli-Syrian war, Egypt announced a blockade of the Gulf of Aqaba, to which Israel responded on 6 June 1967 by declaring war.

Economic Developments

The creation of the State of Israel in 1948 and the exodus of 55 percent of the Arab population of Palestine, the majority of whom were *fellahin*, completed the socioeconomic transformation of Palestine along the sectoral lines established during the Mandate. The Jewish capitalist sector, now politically as well as economically dominant, assumed control of more than 78 percent of Mandate Palestine, and the process of land rather than labor acquisition that began during the Mandate was dramatically extended. Within months, the Arab sector became dispossessed of its most important natural resource, land, which included the country's best agricultural areas: 95 percent of the "good" soil (of Mandatory Palestine), 64 percent of the "medium" soil, and 39 percent of the "poor" soil. Indeed, those Palestinians who became refugees as a result of the 1948 war possessed 80 percent of the territory and 72 percent of all cultivable land that fell to Israel.[38] Not only was Arab agricultural production largely destroyed, but the "depeasantinization" and the "incomplete proletarianization" of the remaining *fellahin* increased.

Of the 900,000 Arab refugees created by the 1948 war, 170,000 remained within the Jewish state, 350,000 fled to the West Bank, which fell under Jordanian administration, and approximately 250,000 streamed into the newly

created Gaza Strip, now under Egyptian control. The remainder were dispersed throughout Lebanon, Syria, Iraq, and the Gulf states. By 1949, only 22 percent of Mandate Palestine remained in Arab hands—the West Bank (20.74 percent) and the Gaza Strip (1.32 percent). The displacement due to Jewish colonization begun during the Mandate thus continued after 1948 with the confiscation of Arab land and the denial of the right of return to the refugees who had lost their land.

The aggregate losses to Arab society and economy were astounding. Palestinian losses occurred in human as well as material wealth. The former—pain, suffering, and psychological damage—are not quantifiable but would certainly swell the value of those losses that are. By 1944, the Palestinian economy was a viable economy in which the Arab community owned a significant share. In 1944, the Arab share of national wealth stood at £P 1,575 million, equally split between property and labor income. The refugees' property wealth alone stood at £P 433 million in 1944 prices.[39] Unestimable loss of human capital included loss of farming potential and proficiency, loss of labor skills through unemployment, and opportunity losses. If values were assigned to opportunity losses and the deterioration of human capital through non-use, economist Atef Kubursi estimates that it would bring total refugee losses to £P 733 million in 1944 prices.[40]

The social dislocations of the Mandate period, particularly as they affected the structure of village life, were carried to their "logical" extreme after 1948. Not only were pre-capitalist social relations of production largely destroyed (or, in the case of those Arabs who remained inside Israel, transformed into capitalist relations of production),[41] and the Arab economic system significantly altered, but the large-scale exodus of the Arab middle class left Palestinian society dominated by one class in the immediate postwar period. In the Gaza Strip, the presence of the refugee population in the urban areas produced a dramatic shift in class structure. The organic integration that the Palestinian economy had known during the Ottoman, and to a lesser degree, British periods, gave way to forced separation into Arab and Jewish sectors after 1948. In this way, the context for economic development was changed once again, and past continuities were accompanied by new discontinuities. The combination proved devastating for all sectors of Arab life.

The structural transformation of Palestinian society, particularly under the impact of the 1948 war, was critical for the future economic development of Palestine. Having been separated from their means of production, not by market forces but by physical dispossession, Palestinian refugees found, for the first time, that economic power could no longer be derived primarily from one's direct control over the means of production, which to varying degrees had still prevailed under the Mandate. After 1948, economic power in the Arab sector became linked to exogenous forces over which Palestinians had little if any control. This was clearly the case in the Gaza Strip under Egyptian occupation, and even more so under Israeli rule, when Palestine not only suffered the ef-

fects of economic discrimination and subordination, but also confronted unique attempts at economic dispossession.

The birth of the Gaza Strip was wrenching and traumatic. A new economic unit was created by factors that were entirely noneconomic. In a matter of weeks, the economic reality of the Gaza region was irrevocably altered and redefined by two critical events: the complete loss of its productive hinterland, domestic trade links, and employment opportunities; and the massive influx of 250,000 people. The extreme geographic and demographic changes that attended the creation of the Gaza Strip sent shock waves through the newly formed economy. Whereas before 1948, the introduction of capitalist relations spurred a particular form of underdevelopment, the political and economic situation after 1948 not only insured the continued underdevelopment of the area, but further limited the possibilities for structural change.

The administrative divisions of the previous two decades dissolved without resistance. With the imposition of armistice lines in the immediate aftermath of the war, the Gaza District disappeared. The Arab sector lost 99.5 percent of the Beersheba subdistrict and 73 percent of the Gaza subdistrict (see tables 3.1 and 3.2). For Gaza's Palestinians, this meant the forcible separation from traditional trade areas, agricultural lands that had been worked for generations, and critical markets in Jerusalem and Beersheba. The loss to the Gaza and Beersheba subdistricts in rural land alone was conservatively valued at £P 31,176,000 and £P 25,000,000, respectively, in 1946–47 prices.[42] What remained of the former Gaza District was incorporated into an artificial entity that became known as the Gaza Strip, an area that represented just over 1 percent of Mandate Palestine but contained 18 percent of the total Mandate population, and 27 percent of the Mandate Arab population.[43]

Unlike Arab residents elsewhere in Palestine, few Arab inhabitants of the Gaza subdistrict remained in their homes once the territory fell under Israeli control. Most fled to the Gaza Strip. The influx of one-quarter of a million refugees increased the indigenous population of over 70,000 in the Gaza Strip area by more than 300 percent. Population density rose dramatically from 500 people per square mile in 1944 to 2,300 in 1948, which contrasted significantly with the 1948 population density in the West Bank of 360 people per square mile. Per square mile of inhabitable land only, population density in the Gaza Strip increased to 6,000 people, a level equivalent to seven times that of Belgium.[44]

Under the weight of these crushing transformations, Arab economic life and organization prior to 1948 dissipated. Structurally amputated and functionally disfigured, the Gaza economy now found itself isolated and contained to the south by the vast expanse of the Sinai Desert; to the north and east, by the new state of Israel; and to the west, by the Mediterranean Sea. The Egyptians treated the Gaza Strip as a separate economic unit. The drastically reoriented economy became acutely dependent on imports and on one primary employer, UNRWA.

Table 3.1. Area and Population in Various Gaza Strip Localities, 1945

locality	*surface area in dunums**	*area in dunums incorp. into the Gaza Strip*	*area in dunums lost in 1948*	*population*	*no. of dunums per person*	*no. of dunums per person in Gaza Strip localities*	*population density (no. people/dunum)***
Abasan	16,084	15,000	1,084	2,230	7.2	6.7	.15
Abu Middain	8,821	8,821	0	2,000	4.4	4.4	.23
Bani Suheila	11,128	9,500	1,628	3,220	3.5	3.0	.34
Beersheba***	12,577,000	63,000	12,514,000	2,000	6288.5	31.5	.03
Beit Hanoun	20,025	12,000	8,025	1,730	11.6	6.9	.14
Beit Lahiya	38,376	20,000	18,376	1,700	22.6	11.8	.09
Deir el-Balah	14,735	14,735	0	2,560	5.8	5.8	.17
Dimra	8,492	1,500	6,992	—	—	—	—
Gaza City	170,816	90,000	80,816	34,250	5.0	2.6	.38
Jabalya	11,497	11,497	0	3,520	3.3	3.3	.31
Khan Younis	56,122	56,122	0	11,220	5.0	5.0	.20
Khuza'a	8,179	5,500	2,679	990	8.3	5.6	.18
Nazla	4,510	4,510	0	1,330	3.4	3.4	.30
Nuseirat	10,425	10,425	0	1,500	7.0	7.0	.14
Rafah	40,579	40,579	0	2,220	18.3	18.3	.06
Sumeiri	3,833	3,833	0	1,000	3.8	3.8	.26
Total	13,000,622	367,022	12,633,600	71,470	182.0	5.1	.19

Source: Joseph T. Neu, *Employment, Labor Migration and Economic Development in the Gaza Strip: A Case Study of Rafah* (Ph.D. diss., Fletcher School of Law and Diplomacy, Tufts University, Medford, MA, 1987), p.54.

* Does not include entire Gaza subdistrict.

** Population density in the area that became the Gaza Strip before the refugee influx.

*** Refers to the subdistrict.

1 dunum = 1/4 acre.

Table 3.2. Area of the Gaza Strip, 1948

locality	*dunums incorporated into the Gaza Strip*	*dunums incorporated into Israel*
Beersheba Subdistrict:	60,000	12,451,769
Gaza Subdistrict:		
Whole Villages		
Abu Middain	8,821	
Deir el-Balah	14,735	
Gaza (urban)	10,072	
Jabalya	11,497	
Khan Younis(urban)	2,302	
Khan Younis(rural)	53,820	
Nazla	4,510	
Nuseirat	10,425	
Rafah	40,579	
Sumeiri	3,833	
	160,594	
Border Villages		
Abasan	14,343	1,741
Bani Suheila	7,503	3,625
Beit Hanoun	12,136	7,899
Beit Lahiya	12,953	25,423
Dimra*	1,883	6,609
Gaza (rural)	72,795	87,949
Khirbet Ikhzaa (Khuza'a)	4,409	3,770
	126,022	
Subdistrict total	286,616	776,280
Total Gaza Strip	346,616	

Source: Atef Kubursi, "An Economic Assessment of Total Palestinian Losses in 1948," in Hadawi, p. 229; and Government of Palestine, *Statistical Abstract of Palestine 1944–45*, p. 273. These figures differ slightly from those presented in Tables 2.1 and 3.1.
* The built-up areas were incorporated into Israel.

The economic and social development (or lack thereof) of the Gaza Strip during Egyptian occupation falls roughly into two distinct time periods. The first, 1948–57, was characterized by the immediate economic imperatives of coping with the refugee presence. It was UNRWA, not Egypt, that played the predominant role during this period, as Egypt's relationship with Gaza was still legally unclear, despite the many restrictive policies it imposed. Until 1957, domestic conditions in Egypt were alternately in a state of tension and turmoil, which contributed to official behavior toward Gaza.[45]

The second phase of Egyptian occupation, 1957–67, was marked by a

clear shift in policy and posture toward the Gaza Strip. During this period, Egypt played a more active role in the daily life of the Strip. Egypt's reorientation was occasioned by greater domestic stability and a change in approach toward Israel and the Arab states already described. Having legalized its relationship with the Gaza Strip in 1955,[46] and having successfully confronted Israel and the West in Suez in 1957, Egypt regained the nationalist honor it had lost in 1948 and was prepared to assume the mantle of Palestinian liberation and benefit from the considerable political capital to be derived from the exploitation of the Palestinian cause in its struggle for leadership of the Arab world. As a result, the government sought a more substantive role in the Gaza Strip economy. Egyptian policies, however, did little to alter the structural parameters of the past.

1948-1957

The first decade of Egyptian rule was distinguished by massive refugee influx. Without warning, the tiny Strip found itself burdened with a population grossly disproportionate to the material resources available to sustain it. Having lost most of its economic assets, Gaza's predominant agrarian sector could not possibly absorb the number of people who sought to enter it. In a 1949 survey of 20,000 refugees in Gaza, 18 percent were found to be skilled and semi-skilled workers, 17 percent professionals, merchants and landowners, and the remaining 65 percent were farmers and unskilled workers.[47] The population now consisted of four groups of people—Egyptian administrators and military, Bedouins, indigenous inhabitants, and refugees. The refugees found themselves isolated in a sliver of territory; severed from their former homes, relatives, and means of livelihood; unemployed, and totally dependent on external assistance.

As the proportion of urban to rural dwellers swelled dramatically, existing municipal services could not possibly keep pace with the excess demand placed on them. Unemployed, destitute refugees were in no position to pay taxes, and indigenous residents could not make up the difference. Gaza City, for example, with a prewar population of 35,000 and an annual income of £P 100,000, now had to provide services to a population of 170,000 on the same budget. Gaza's tax base quickly collapsed.

The only natural resource (in addition to limited water supplies) was land, itself in very short supply and inadequate to the economic needs of the population now living on it. The Gaza Strip did not "even contain enough building stone to house its population."[48] Any capital assets held by the refugees or indigenous Gazans were quickly depleted, as one observer noted:

> Clothing is worn out, livestock has been killed for food, the area is being completely deforested as the refugees collect wood for fuel and building purposes, and the railroad track has been largely put out of action by the removal of several thousand ties which are invaluable for building timber and carpentry work.[49]

The refugee influx proved especially calamitous for the poorer segments of Gaza's indigenous population. Wage rates for both skilled and unskilled

workers fell precipitously by 60-70 percent, below the subsistence level. The Egyptian authorities exacerbated the situation by making it nearly impossible for Gazans to leave Gaza. Those who could leave—mostly skilled professionals—did so early on; those who could not—unskilled workers and farmers whose lands were now inside Israel—had never known such hardship. For, unlike the refugee population, Gaza's indigenous community did not qualify for UN rations or for assistance of any kind. These "economic refugees," who numbered 60,000 in Gaza, suffered even greater deprivation than the refugees did.[50] In response to this extreme and unprecedented situation, UNRWA provided healthcare services to all in need, and the Egyptian government provided each local resident with 7 kilograms (kg) of flour per month, in addition to food aid from UNICEF and the United States government.[51] Indigenous residents who maintained some form of livelihood faced severe hardship as well:

> Competition among small shops and businesses...[was] much more severe. Merchants selling 3 eggplants and 5 tomatoes, farmers cultivating small fragments of sandy soil, men and women bartering manual services for a fragment of a ration—these [were] the symbols of a struggle for life in which there can be little thought of the future.[52]

In the immediate postwar period, the United Nations sustained Gaza's economy and prevented widespread hunger, starvation, and death.[53] Between 1948 and 1950, relief assistance was the primary objective of the various UN agencies assigned responsibility for the refugees: the Disaster Relief Project in 1948, the United Nations Relief for Palestine Refugees in 1949, and UNRWA in 1950.[54] The American Friends Service Committee began what would be a long history of assistance to the Gaza Strip at this time as well. The Egyptian military authorities were far from amicable and cooperative in the implementation of international assistance. Initial relief efforts were highly suspect and deliberately obstructed.[55]

At first, the refugee community was very hostile toward all UN agencies and any schemes of job creation that could be linked to permanent resettlement. They considered their status temporary and awaited their return home. However, by 1950 it was clear that it would be logistically impossible to return Arab refugees to homes and lands now occupied by Jewish immigrants. Moreover, the will of the Western powers to pressure Israel into a substantive repatriation was rapidly waning.[56] Thus, political repatriation became secondary to the more immediate imperatives of economic rehabilitation, and the focus of UN activity in Gaza shifted from emergency relief to sustainable economic assistance.

Economic rehabilitation was a daunting challenge. Indeed, when the Clapp Commission toured all the Middle Eastern countries where Palestinian refugees resided, it found economic possibilities everywhere *except* the Gaza Strip.[57] A Quaker representative working in Gaza at this time wrote:

> The prospects for the early removal from the deadening hardships are dim. Members of the Clapp Commission, who visited the Strip, completed their

> work in less than two hours. No other act has recorded so powerfully the impossibility of increasing the productivity of the land so that the local population will be able to maintain itself.[58]

The Clapp Commission's recommendations provided for the formal establishment of UNRWA. UNRWA confronted its greatest problems in the Gaza Strip. The Strip was home to the second largest number of refugees after Jordan (500,000), far more than Lebanon (90,000), Syria (87,000), or Iraq (5,000). Yet Gaza contained only eight camps, the fewest of all host countries,[59] and the highest percentage of refugees, nearly two-thirds, living in organized camp systems. By 1953, the prewar population of the Gaza Strip had increased by 288 percent as a result of the refugee influx, compared to increases of 53 percent in Jordan, 12 percent in Lebanon, and 3 percent in Syria.[60] Unlike Syria or Iraq, for example, where the refugee community enjoyed a high degree of economic assistance and integration, UNRWA found Gaza to be

> a most difficult area in which to provide work for refugees. Overpopulated and lacking any considerable endowment in natural resources as the area is, the Agency has found it possible to do little beyond small jobs such as improvement of the water supply.[61]

UNRWA concluded that not only was the Strip too impoverished to provide employment for the refugees, it was also "too small and barren to provide a satisfactory livelihood for the original population."[62] Egyptian opposition to population transfer or free emigration only exacerbated the problems UNRWA found so impossible to solve. Indeed, government policies did much to shape the economic behavior of Gaza's Palestinians. Unlike their counterparts in the West Bank, for whom outmigration was a natural and viable response to a moribund economy, Palestinians in the Gaza Strip had no such option until later in the decade and even then, to a smaller degree. As a result, the Gaza Strip emerged with an occupational structure quite different from that of the West Bank. As in the Mandate period, and later under the Egyptians and Israelis, the limited availability of alternative employment opportunities both inside and outside the territory was the determining structural feature of village and camp life.

By 1954, however, economic rehabilitation did prove somewhat successful. Refugees no longer lived in tents or in orchard groves as they had in the immediate postwar period but in solid structures that had been built in all the camps. Health and educational services were made available to refugees in proportion to their numbers and quickly institutionalized.[63] Yet the creation of economic opportunity in so deprived an area remained elusive. One dramatic indicator of Gaza's fragile and skewed economy was that UNRWA, in an attempt to stop a continuous decline in local wage rates, had not only become the territory's chief source of employment but also its primary source of market activity. Indeed, the agency became Gaza's largest importer, providing the territory with 75 percent of its imports (60 percent food; 30 percent petroleum products; and 10 percent textiles).

Table 3.3 further indicates that in 1954, UNRWA overwhelmingly provided the largest transfer of payments to the Strip's tiny economy, which served to offset the territory's growing trade deficit (see table 3.4). In 1966, UNRWA wages and contributions equalled 38 percent to 39 percent of the value produced by Gaza's main economic sectors—agriculture, industry, and public services—and 19 percent of Gaza's total national income (see table 3.5).[64] The territory's expanding trade deficit was another indicator of local economic morbidity and stagnation, particularly as it exposed Gaza's heavy reliance on food and energy imports. With no raw materials, no mineral deposits, no access to markets except across 200 miles of the Sinai Desert, and limited amounts of land and water, the Gaza Strip offered little economic potential.

Table 3.3. Balance of Payments in the Gaza Strip, 1954 and 1966

	1954		*1966*	
	£E	*US$**	*£E*	*US$*
Imports	1,345,000	3,860,150	17,000,000**	39,100,000
Exports	424,000	1,216,880	4,400,000	10,120,000
Deficit	921,000	2,643,270	12,600,000	28,980,000
UNRWA transfers	2,300,000	6,601,000	3,700,000	8,510,000
Expenditure of Egypt (Administration and Army)	200,000	574,000	3,700,000	8,510,000
Estimated Earnings from Smuggling	100,000	287,000	4,000,000	9,200,000
Purchases by Foreigners			1,000,000	2,300,000
Support from other Institutes			200,000	460,000
Remittances			1,000,000	2,300,000
TOTAL			13,600,000	31,280,000
Reserves			1,000,000	2,300,000

Source: James Baster, "Economic Review: Economic Problems in the Gaza Strip," *Middle East Journal* 19, no.3 (Summer 1955): 325; Aryeh Szeskin, "The Areas Administered by Israel: Their Economy and Foreign Trade," *Journal of World Trade Law* 3, no.5: 539 (also cited in Neu, p.187); and Mohammed Ali Khulusi, *Economic Development in the Gaza Strip—Palestine 1948–1962* (Cairo, 1967), p. 211.

* The 1954 exchange rate was £E 1 = $US 2.87 (£E = Egyptian Pound)
The 1966 exchange rate was £E 1 = $US 2.30.

** Ziad Abu-Amr, "The Gaza Economy 1948–1984," in Abed (ed.), p. 115, places the value of imports and exports in 1966 at £E 11,995,000 and £E 4,349,000 respectively. Szeskin's figures are used for consistency.

Data for 1954 are incomplete and are provided for comparative purposes only. However, it is safe to say that (1) the value of purchases by foreigners was negligible before the liberalization of Egyptian trade policy in the 1960s; and (2) the value of remittances was similarly low given restrictions on emigration during that time.

Against the clear limitations of the area, the hostility of the Egyptian government, the consistent opposition of the refugee community to the development of self-sufficiency large-scale projects, which triggered fears of permanent settlement, as well as its own financial and institutional constraints, UNRWA faced a daunting dilemma in Gaza. The short-term UN objective was to make the refugee community economically self-supporting within existing political and economic circumstances in order to integrate that community over time.[65]

In a peripatetic manner, the agency attempted a number of projects in the early 1950s that were designed to replace direct relief with projects that would generate long-term employment and self-sufficiency. The agency's approach was decidedly tactical rather than strategic. Initially, UNRWA embarked on a public works program that soon proved far more costly than the simple provision of direct relief, and no more productive because it became prohibitive for the agency to pay wages and provide markets simply to hire people. UNRWA next suggested a number of small agricultural development schemes: afforesta-

Table 3.4. Balance of Trade in the Gaza Strip, Selected Years (in Egyptian pounds)

year	*imports (£E)*	*exports (£E)*	*deficit (£E)*
1950	988,000	137,000	851,000**
1951	1,022,000	170,000	852,000
1952	1,195,000	288,000	907,000
1953	1,189,000	272,000	917,000
1954	1,345,000	424,000	921,000
1955	1,662,000	429,000	1,223,000
1956	1,542,000	163,000	1,379,000
1957	1,565,000	367,000	1,198,000
1958	2,750,000	696,000	2,054,000*
1959	3,400,000	886,000	2,514,000*
1960	3,600,000	985,000	2,615,000
1961	3,950,000	1,100,000	2,850,000
1965	10,674,000	4,297,000	6,377,000
1966***	11,995,000	4,349,000	7,646,000*

Source: Mohammed Ali Khulusi, *Economic Development in the Gaza Strip—Palestine 1948–1962* (in Arabic) (Cairo, 1967), p. 211; (1950–1961), Ziad Abu-Amr, "The Gaza Economy 1948–1984," in Abed (ed.), p. 115.

* Arithmetic wrong in the original (2,052,000, 2,504,000, and 5,646,000).

** The Egyptian Administration in Palestine, *Official Statistics 1954* (Cairo: Department of Surveys and Publications, 1955), p.108, places the deficit for 1950–1954 as follows: 1950—860,550; 1951—851,299; 1952—906,636; 1953—917,173; and 1954—921,310.

*** Szeskin, table 5.6, places the value of imports in 1966 at £E 17,000,000 and exports at £E 4,400,000.

tion of sand dunes, dry farming on sand, and the intensified cultivation of existing cultivable area.[66] The only successfully completed self-supporting activity was the afforestation project, which was implemented in conjunction with the Egyptian government. Over a period of four years, 4.5 million trees were grown in nurseries and transplanted to a 15,000-dunum area of government domain in the Gaza Strip.[67] The project, however, was clearly bounded by the amount of available land.[68]

In 1951, a small-scale weaving and carpet-making industry was promoted; many of Gaza's refugees were from Majdal, which had been an important weaving center before the war. At one time, more than 3,000 people were working on 2,000 handmade looms, and a Gaza Weaver's Union of 1,000 members was formed to market products in Jordan.[69] The industry, however, never became competitive and failed as soon as UNRWA support was withdrawn. In 1952, the

Table 3.5. Sources of Income in the Gaza Strip, 1966

source	*£E (millions)*	*US$ (millions)*	*percent*
GDP			
Agriculture	5.5	12.65	26.2
Industry	0.7	1.61	3.3
Trade and Personal Services*	4.3	9.89	20.5
Transport	0.5	1.15	2.4
Administration and Public Services**	4.0	9.2	19.0
Building and Public Construction	1.0	2.3	4.8
Total GDP	16.0	36.8	76.2
Transfers from Abroad			
UNRWA and other Public Transfers	4.0	9.2	19.0
Remittances	1.0	2.3	4.8
Total	5.0	11.5	23.8
Total Income from all Sources (GNP)	21.0	48.3	100.0
GNP per capita		46.0	106.0

Source: Brian Van Arkadie, *Benefits and Burdens: A Report on the West Bank and Gaza Strip Economies Since 1967* (New York: Carnegie Endowment for International Peace, 1977), p. 31.

* Services included banking and insurance but not house rents, which represent the transfer of income only.

** Includes the activites of the Palestine Liberation Army.

The 1966 exchange rate was £E 1 = $US 2.30.

search continued for a joint UNRWA-Egyptian project to establish a vocational training school designed to provide courses in a range of skilled occupations including foundry work, carpentry, and auto maintenance and repair. However, the provision of training opportunities was of uncertain benefit in a situation of limited employment. By 1953, for example, the average monthly wage in Gaza for a worker in industry, transport, and services was $11.20, compared to $12.60 in Hebron and $17.50 in Amman.[70] There was growing concern among officials that inadequate job opportunities would create considerable frustration and unrest among the newly trained and better educated and would do little to improve economic conditions in the Strip. There was no employment for those leaving elementary school, and those secondary school graduates who did find jobs found them in teaching. As more graduates entered the job pool, however, teaching diminished as an employment option.[71]

UNRWA again shifted focus from long-term activities to works projects aimed at improving morale and the standard of living to prevent social and political unrest. In 1955, Egypt joined UNRWA in launching a special program of works projects (an approach previously rejected by UNRWA) aimed primarily at providing immediate employment in areas where needs were great and easily addressed.[72] In the end, however, agency politics, Egyptian obstinance, and bilateral tensions prevented the completion of all but one of these projects.

The economic situation in Gaza worsened between 1955 and 1957 during the Sinai campaign and Israel's subsequent four-month occupation. Many UNRWA activities and projects stopped. Unemployment rose when the Egyptian administration was suspended. During Israel's first occupation, its army destroyed some of the existing infrastructure in the Strip, including UNRWA facilities.

1957-1967

The return of Egyptian rule to the Gaza Strip after Israel's forced withdrawal in March 1957 ushered in a new context for economic activity that replaced the crisis management approach of the previous decade with one that was aimed at longer term growth and greater economic diversification. On the one hand, UNRWA's unsuccessful attempts at economic resettlement and rehabilitation, along with consistent financial problems, precluded any real economic role beyond the assigned provision of education, health, and welfare services (in addition to small-scale income-generating projects and a small-grant program initiated in 1955), which by then had become UNRWA's established domain. After 1960, UNRWA placed considerable emphasis on education, in response not only to the need for increased productivity within the local economy but also to the need for skilled workers in the expanding economies of the Arab Gulf states.[73]

On the other hand, the changed and highly charged political environment between Egypt, Israel, and the Arab states after 1957 led Egypt to modify its policy in the Gaza Strip. Official approaches previously aimed at political and

economic containment gave way to more liberal economic policies. This change in official attitude is partly reflected in the levels of public expenditure. During the first eight years of Egyptian rule, public expenditure rose by 120 percent, but in the ensuing five years, it increased by 170 percent.[74] Moreover, many of the economic and social changes that were considered acute in the immediate postwar period had, by 1957, become institutionalized features of life, and were not treated with the same sense of urgency, although they remained extreme.

In formulating its policy toward the Gaza Strip after 1957, the Egyptian government made it clear that it had no intention of integrating Gaza economically, as it had rejected the political assimilation of the refugee population. Gaza was to remain distinct and separate, Egypt's Palestinian bailiwick. Official policy, therefore, did not seek the structural transformation of Gaza's economy or any change in existing power relations. To the contrary, Egypt only initiated changes that would not threaten Gaza's domestic status quo. Thus, long-term economic planning in the Gaza Strip was not even an option. Instead, the Egyptians sought a range of improvements that would enhance the level of sectoral output, increase productivity, and improve the standard of living. Formidable constraints existed, however, among them a refugee population with no source of livelihood other than UNRWA allocations and a socioeconomic structure with no real productive base. The dilemma confronting the Egyptians was clearer than its solution: how to promote Gaza's economic growth without major capital investment, while precluding structural integration with the Egyptian economy.

Between 1959 and 1960, the Egyptian government (as part of the United Arab Republic) began to intensify its "development" programs in the Gaza Strip. Some projects were new and some others, begun with UNRWA years before, were expanded and in certain cases reclaimed. They included: an afforestation effort; the reclamation of unproductive state lands; the construction of roads, a small port, and schools; the distribution of land in the Rafah area; and the expansion of small industries engaged in food processing and traditional manufactures.[75]

These projects were part of a larger economic policy that included the following measures: (1) the promotion of agriculture, Gaza's most productive economic sector and leading export, over industry; (2) the expansion of trade and commerce through the creation of new markets in Egypt, the Arab world, and Eastern Europe; (3) the expansion of Gaza's service sector, the largest source of employment and income; (4) the indirect promotion of an illegal but lucrative smuggling trade; and (5) state-sponsored local emigration to the rapidly growing Arab Gulf region, which reduced the burden of employment in the Strip and insured a critical and continuous flow of capital into the territory, which was used to finance other economic activities, notably agriculture and trade. Between 1951 and 1964, approximately 33,200 people emigrated from the Gaza Strip, and 63 percent of them left in the years between 1959 and 1962.[76] Official policies regarding emigration, together with a much improved educational system, became the primary, if not the only, sources of occupational

mobility in the Gaza Strip at this time.

Between 1948 and 1967, agriculture was the largest single economic activity in the Gaza Strip, accounting for over one-third of GDP, approximately 35–40 percent of employment, and 90 percent of all exports. However, the new agricultural base created to replace the lost productive hinterland was tiny. When compared to the position of the agrarian sector within the West Bank economy, Gazan agriculture appeared painfully weak. By 1966, for example, only 14 percent of all households in the Gaza Strip had land as a source of income—3 percent of households in the refugee camps and 23 percent of those outside the camps—compared with 42 percent of households in the West Bank—10 percent in the camps and 46 percent in towns and villages.[77] At least 89 percent of Gaza's population lived in urban areas—39 percent in the towns of Gaza and Khan Younis, and 50 percent in the refugee camps—whereas more than 50 percent of West Bankers lived on small farms.[78] At least 20 percent of Gaza's land was concentrated in the hands of the territory's wealthy families and devoted to citrus production. Moreover, at least one-third of all cultivated area in the Gaza Strip was concentrated in farms larger than 100 dunums.[79] The excessive fragmentation of the remaining land holdings, which revealed a striking disparity in the distribution of cultivated area, was a clear problem restricting agricultural production and the development potential of agriculture generally. On the eve of Israeli occupation, the entire farming population of the Gaza Strip numbered only 65,000, or 14 percent of the territory's total population.

Because the Gaza Strip was not an area of concentrated agriculture, the Egyptian government encouraged the maximization of output in areas already under cultivation as well as the expansion of cultivable lands for which the government provided credit. The government conducted surveys of cultivable areas and water resources and implemented projects to protect agricultural lands against the effects of wind and other kinds of environmental aggression. Such measures, between 1948 to 1949 and 1959 to 1960, increased the amount of land under cultivation in the Gaza Strip by 50 percent from 97,192 dunums to 145,826 dunums for a crop valued at 1.5 million Egyptian pounds (£E). The number of unirrigated (*mawasi*) areas increased from 77,470 dunums in 1948 to 110,293 dunums more than a decade later. Irrigated lands increased from 19,722 dunums to 35,533 dunums (80 percent).[80] In 1958, 43 percent of Gaza's total land area, or 75 percent of all arable land, was under cultivation. Between 1959 and 1966, the total area under cultivation increased from 145,826 dunums[81] to 187,000 dunums, just over half the area of the Gaza Strip.[82] Of this, 40 percent were irrigated, indicating that agricultural production was very intensive. By 1966, however, cultivated land accounted for 52 percent of all arable land (and 55 percent in 1968), a decline that in part was due to the excessive fragmentation of land holdings.[83]

Almost by default, agriculture in Gaza centered on the production of citrus fruits, Gaza's largest source of foreign exchange during this period. The authorities actively promoted citrus production, often at the expense of areas

cultivated with other crops, because of its greater income earning potential.[84] Between 1948 and 1960, the number of acres devoted to citrus fruits grew from 6,000 dunums to 16,000 dunums; by 1966, the total had reached 70,000 dunums, or 37 percent of all cultivable area.[85] At 55 percent, citrus contributed the largest share of production.[86] The level of citrus exports rose in value from £E 298,557 or 70.5 percent of total exports in 1954 to £E 3,887,000 or 89.4 percent of all exports in 1966, a clear indicator of Gaza's economic vulnerability and structural underdevelopment.[87] Citrus production encouraged the excessive use of water and damaged the regional acquifer by allowing seawater to enter lowered water tables. In fact, the level of water consumption in Gaza's agriculture—100 million cubic meters annually—was equal to that of the West Bank, although the area under cultivation in the West Bank was nearly 10 times greater than the Gaza Strip.[88]

Although Gaza had become virtually a one-crop economy and dependent on a single product for export in terms of value, other crops were also grown and marketed. Approximately 100,252 dunums, or 54 percent of the total area under cultivation in 1966, were devoted to non-citrus commodities. Vegetables, whose cultivation was by then well-developed, were the second most important export crops. However, over the duration of Egyptian rule, vegetable cultivation was subsumed to the more lucrative citrus crop; in fact, some of the lands devoted to vegetable production were converted to citrus orchards, resulting in greater vegetable imports from Egypt at very low prices.[89] By 1964, the amount of land devoted to vegetable production had fallen to 42.7 percent from 65.4 percent a decade prior.[90]

Throughout the period, dates, almonds, and castor and watermelon seeds were produced and exported, but in far smaller quantities than citrus.[91] Gaza was also self-sufficient in milk, poultry, and fish—an industry that employed between 1,200 and 1,500 fishermen.[92] Wheat, barley, corn, apples, figs, guava, apricots, and olives were also produced.

Despite the variety of crops, the agricultural sector was unable to meet consumer demand and keep pace with rural population growth, due to low productivity and the low ratio of cultivated area to population size. The low level of productivity is clear from the fact that agriculture's share of total employment (35 percent to 40 percent) was larger than its share of total GNP output (26 percent). As had been true under the Mandate, low productivity was due to backward and inefficient production methods (particularly concerning the use of water), the traditional farmer's reluctance to invest in more technologically advanced agricultural practices, the presence of disguised unemployment, and fragmented land holdings. Agricultural productivity in the Gaza Strip totalled only 70 kg per dunum, compared with 250 kg in Syria and 320 kg in Egypt.[93]

The amount of cultivated area per person in the tiny Strip was extremely low: in 1966, there were 0.41 dunums of cultivated land for every Gazan.[94] In fact, in 1958, Gaza possessed the lowest ratio of 0.06 hectares per capita compared with 0.20 in Egypt, 0.21 in India, 0.28 in Pakistan, and 0.40 in Lebanon.

Such fragmentation helped keep rural incomes depressed.

The primary position of agriculture had much to do with the weakening of Gazan industry and the lack of employment opportunities therein. By 1966, industry's share of GDP was a paltry 4.2 percent[95] whereas sectoral employment (including workshop and seasonal workers) did not exceed 6,000 (see table 3.6). Characterized by small-scale establishments, an unskilled labor pool, low capital investment, and traditional production, Gazan industry was oriented to production for local consumption.

Industries were confined to three categories. The first consisted of food processing industries that depended on locally available materials, such as grain mills, olive presses, ice factories, soft drinks, sweets, cigarettes, tobacco, clay, citrus processing and organic fertilizers. The second consisted of small workshops that used imported materials and concentrated on the production of textile (carpets, shoes, furniture, ceramics, traditional crafts), and soap production. The textile-weaving and spinning industry was the most important manufacturing enterprise in the Gaza Strip at this time. By 1960, two-thirds of Gaza's industries produced woven textiles. The last category of industries serviced agriculture through the repair and maintenance of agricultural machinery and the manufacture of packing crates.[96] In 1959, 139 such workshops employed 538 workers; by 1966, there were 770 workshops with 1,782 workers.[97]

Table 3.6. GNP of the Gaza Strip, 1966

sector	*JD (millions)*	*US$ (millions)*	*percent GDP*
Agriculture	3.3	9.2	34.4
Industry	0.4	1.1	4.2
Construction	0.6	1.7	6.2
Public Services	2.4	6.7	25.0
Transport	0.3	1.0	3.1
Trade, Commerce and other Services	2.6	7.3	27.1
GDP	9.6	27.0	100.0
Net Factor Income from Abroad	3.0	8.4	(24% GNP)
UNRWA		(6.7)	
Remittances		(1.7)	
GNP/per capita GNP	12.6/27.7	35.4/78.0	

Source: Fawzi Gharabibeh, *The Economics of the West Bank and Gaza Strip* (Boulder, CO: Westview Press, 1985), p. 17.
JD = Jordanian dinar.
JD1 = $US 2.79.

Industries in all three categories were extremely small and primitive. On the eve of Israeli occupation when there were 1,000 industrial enterprises,[98] only 10 firms in the Gaza Strip employed 10 people or more, and only 2, the largest citrus packing house[99] and the Seven-Up bottling plant, employed over 100. The citrus packing and beverage bottling factories, which numbered fewer than 5 prior to 1967, were the only ones organized along modern lines,[100] a stark illustration of sectoral backwardness and structural underdevelopment.

Such small, backward industries naturally had limited output. In 1960, total industrial output was valued at £E 519,000 based on a capital investment of £E 372,500. By 1966, output in industry had not grown, valued at £E 519,565, or roughly £E 675 per firm,[101] based on an investment of £E 413,043, or a paltry £E 536 per firm.[102] These figures indicate not only the very small investment and output per enterprise, but the gross inefficiencies in production as well as the backwardness of production methods. In 1960, furthermore, only 29 percent of industrial capacity was being used.[103] The Egyptian government did little to spur industry, leaving it to private investors. This precluded capital accumulation and severely constrained the growth of the industrial sector. What growth did occur resulted from the expansion of existing industries, not the creation of new ones.

The character of economic activity in Gaza is also explained by an analysis of trade. Agricultural exports far outnumbered those of industry. The Egyptian government arranged new markets for Gaza's citrus in Egypt (which ended in the mid-1950s when Egypt became self-sufficient in citrus production), Libya, Syria, Lebanon, Eastern Europe, and Singapore. These new markets raised citrus production and export levels and enriched Gaza's merchant class, with whom Egyptian officialdom was clearly allied. Traditional markets established in the 1940s in Western Europe and focused primarily on England continued through Port Said as well. However, the limited trade outlets, underdeveloped trade linkages, and inadequate marketing facilities that characterized the Strip's export trade were problems that similarly constrained the process of economic development. Gaza's heavy dependence on limited markets and a single export was an unhealthy situation that reflected the structural distortions of the local economy and its inability to resolve basic problems. Various problems faced external trade, particularly with regard to citrus. Poor transportation, for example, and the lack of refrigeration would cause much of the fruit to rot, a very simple problem whose persistence revealed the absence of basic modern methods within the local economy. Indeed, it would take as long as one week to ten days to transport produce from Gaza to Port Said in Egypt, a journey of 200 miles.

Moreover, visible trade was consistently characterized by a preponderance of imports over exports, and agricultural commodities dominated both. Egypt supplied Gaza with close to 50 percent of the Strip's imports. The agricultural sector supplied much of the produce required for local consumption and many of the inputs for local production. This was not true of industry, whose

small scale and limited technical capacity were sorely inadequate to meet local demand for manufactured goods. Consequently, the bulk of Gaza's industrial imports consisted of manufactured products including clothes items, cloth, fuel, textiles, construction material, metals, motor parts, electrical appliances, and medications.[104] The Gaza Strip did export some of its industrial manufactures, notably manually woven carpets and embroidered cloth[105] for which it is still known, in addition to hides, wool, furniture, brass, and silver products.[106] However, limited export markets placed yet another serious constraint on local industrial development.

Substantial inputs were therefore necessary for the economy to function. Consumer merchandise, particularly large-scale finished products and processed food (largely imported by UNRWA) constituted the largest share of imported items, whereas goods for investment purposes constituted the smallest. Items for use as intermediate inputs for local manufacture were somewhere in between. This composition of imports underscores the lack of capital and intermediate goods in local production, itself indicative of Gaza's underdeveloped production structure.[107]

The limited opportunities in the economy's primary sectors gave rise to a lucrative entrepot and smuggling trade (see table 3.3). This trade evolved in response to government policies that reopened the Gaza port and declared it a free trade zone for industrial and consumer goods, many of which were banned inside Egypt. Egyptians would visit Gaza to purchase items they could not find in Cairo. Moreover, certain imported consumer goods, especially luxury items, were much cheaper in the Strip than in Egypt, which spurred the development of an Egyptian tourist trade to Gaza, a boon for local merchants, and a lucrative but illegal trade of smuggling imports into Egypt for re-export. The Bank of Israel estimated that the trade in smuggled goods accounted for 70 percent of Gaza's imports,[108] with another 20 percent for tourist consumption and 10 percent for local use.[109]

Although agriculture, commerce, and to a lesser degree, industry, provided the greatest opportunities for investment, the service sector evolved into Gaza's largest sectoral employer and largest contributor to GDP. Services developed rapidly due to the presence of the Egyptian army, the PLA (itself an employer), UNEF, and UNRWA. The service sector offered part-time or casual employment at wage rates similar to those in agriculture and industry.[110] For Gaza's poor and for refugees, casual employment in the service sector or in seasonal labor, when supplemented with foreign remittances and UNRWA rations, could provide a livelihood. Indeed, the dominant position of services and agriculture over industry in local employment reveals an occupational structure characteristic of an underdeveloped economy.

The limitations on agriculture and industry sharply restricted employment opportunities in Gaza. Indeed, labor force participation in the Gaza Strip was among the lowest in the world, standing at 23 percent in 1966. In part, this low level was due to male emigration, low female participation rates, and the

preponderance of children under fifteen years of age in the population. In 1960, 35 percent of Gaza's indigenous workforce of 69,000 and 83 percent of the refugee workforce of approximately 62,060 remained jobless.[111] Of those 71,000 who did have jobs in 1966, only 21,000 worked in agriculture and 6,000 in industry. The remainder were primarily service-based: 4,000 in transport and communications; 6,000 in the civil service; 3,000 in UNRWA; 1,000 in the UNEF and other international organizations; and 15,000 in trade, commerce, personal services, and construction. Some 10,000 more were absorbed into the PLA, whereas 5,000 worked for the Egyptian military[112] (two sources of employment that disappeared in June 1967). Clearly, Gazans were dependent on sources of employment external to indigenous industry or agriculture. Thus, as in Mandate times, the "transformation" of the Palestinian peasant into a nonvillage worker had little to do with indigenous development. This trend would persist and escalate after 1967.

Although Gaza's economy experienced some growth, differentiation, and sectoral expansion, the economy remained weak and dependent on external income sources in this period. Table 3.6 reveals that whereas agriculture provided the single largest contribution to GDP (34.4 percent), the combined categories of services produced the largest share of gross domestic output (55.2 percent), followed by construction (6.2 percent) and industry (4.2 percent). The trade deficit grew most pronounced in the last decade of Egyptian rule, with imports nearly three times as large as exports in 1966, a direct result of increased expenditure by the Egyptian army and the large-scale smuggling of imported goods through Gaza to Egypt.[113]

Gaza's balance of payments for 1966 indicates the ways in which the deficit was covered. Table 3.3 shows that in 1966 alone, UNRWA covered nearly 30 percent of Gaza's trade deficit; earnings from smuggling absolved another 31 percent. Purchases by foreigners and remittances defrayed an additional 16 percent. Thus, without UNRWA and other nonproductive sources of income, the Gaza Strip could not meet its basic import needs. Unlike the West Bank, where 50 percent of the capital inputs used to cover the deficit were provided by the Jordanian government, Gaza received no such comparable assistance from the Egyptians, leaving little if any financing for the development of the local economy.[114]

The profound weakness of Gaza's economic base is also revealed in its GNP. In 1966, the combined GNP of the Gaza Strip and West Bank equalled only 2.6 percent of Israel's GNP. However, Gaza's GNP totalled just 20 percent of the West Bank GNP, and per capita national product stood at less than half of the West Bank's. Table 3.6 indicates that the GNP of the Gaza Strip in 1966 was estimated at 12.6 million Jordanian dinars (JD; $35.4 million); GDP accounted for 76 percent, whereas the remaining 24 percent, a significant share, derived from unilateral transfers. Using Egyptian census figures of 455,000 for 1966, therefore, per capita GNP ranged from a mere $78 (according to data presented in table 3.6) to $106 (according to data in table 3.5.)[115]

Conclusion

The imbalance between Gaza's wealth of human resources and dearth of natural and material resources could not be corrected. As the Egyptian occupation came to a close, the economy of the Gaza Strip was characterized by a preponderance of services, an agricultural sector devoted almost exclusively to citrus (which occupied a relatively large share of total product), an industrial sector of marginal importance, a high level of private consumption, and a low level of investment in resources. Although some economic growth and social development had taken place since Mandate times, the destruction of pre-capitalist social relations of production, together with the dramatic changes in class structure resulting from the influx of refugees and restrictive Egyptian policies proved imposing constraints on development. On the eve of Israeli occupation, therefore, the Gaza economy remained woefully underdeveloped and fragile, having failed to achieve any real measure of self-sufficiency and structural transformation.

Notes to Chapter 3:

1. A variety of sources were consulted including Sara Roy, "The Gaza Strip: Critical Effects of the Occupation," in Aruri (ed.) pp. 249–96; Graham-Brown, "Impact on the Social Structure of Palestinian Society," in Aruri (ed.), pp. 361–97; Ann Lesch, "Gaza: Forgotten Corner of Palestine," *Journal of Palestine Studies* 15, no.1 (Autumn 1985): 43–59; Ann Lesch, *The Gaza Strip: Heading towards a Dead End*, Universities Field Staff International (UFSI) Reports, Parts 1 and 2, nos.10 and 11 (Hanover, N.H.: Universities Field Staff International, 1984); Ann Lesch, *Perceptions of the Palestinians in the West Bank and Gaza Strip*, Special Study No. 3 (Washington, D.C.: Middle East Institute, 1983); Joan Mandell, "Gaza: Israel's Soweto," *MERIP Reports* (October–December 1985): 7–19; UNRWA for Palestine Refugees in the Near East, *UNRWA: A Brief History 1950–1982* (Vienna: Vienna International Centre, 1983); Benny Morris, *The Birth of the Palestinian Refugee Problem 1947–1949* (Cambridge: Cambridge University Press, 1987); Shamgar (ed.), Vol. 1; *Middle East Contemporary Survey*, Vol. 1 (1976–77) through Vol. 11 (1987); Neu, pp. 100–50; *New York Times*, 1967–1992; and *Jerusalem Post*, 1948–1992.

2. Morris, *The Birth of the Palestinian Refugee Problem 1947–1949*, pp. 243–47. For a copy of the agreement, see "World Documents: Israeli-Egyptian Armistice: Text of Agreement," *Current History* 16, no.92 (April 1949): 232–36.

3. Letter from Delbert Replogle to Clarence Pickett, American Friends Service Committee, Cairo, Egypt, 20 March 1949. Addendums to the letter describe the situation in Faluja in greater detail.

4. In the absence of a peace treaty, that regulation was still in effect in 1994.

5. For an Israeli interpretation of Egyptian occupation, see Eliezer Whartman, "Guileless on Gaza," *The Jerusalem Post*, 16 January 1978. Whartman's main point typifies the government's longstanding position: Israel's occupation of the Gaza Strip is far better than Egypt's was.

6. George J. Tomeh, *United Nations Resolutions on Palestine and the Arab–Israeli Conflict 1947–1974* (Beirut: Institute for Palestine Studies, 1975), pp. 15–17. See also George J. Tomeh, "Legal Status of Arab Refugees," *Law and Contemporary Problems* 33 (Winter 1968): 110–24.

7. Morris, *The Birth of the Palestinian Refugee Problem*, p. 255.

8. Chaim Herzog, *The Arab–Israeli Wars: War and Peace in the Middle East* (New York: Random House, 1982), pp. 91–104. See also Thomas R. Bransten, comp., *Memoirs—David Ben-Gurion*, (New York: World Publishing Co., 1970), pp. 136–37.

9. In a statement repeated on Ramallah radio, the King said, "Gaza must not belong either to the Egyptians or the Jews. This town where my forefathers are buried, belongs to Palestine, and will form an inseparable part of Palestine and Transjordan." See "Abdullah lays claim to Gaza," *Palestine Post*, 23 January 1949.

10. Carol Farhi, "On The Legal Status Of The Gaza Strip," in Shamgar (ed.), p. 75.

11. See Avi Shlaim, "The Rise and Fall of the All-Palestine Government in Gaza," *Journal of Palestine Studies* 20, no.1 (Autumn 1990): 37–53. See also *The Jewish Agency's Digest*, no.3 (29 October 1948): 31–33. For another interpretation, see Avi Plascov, *A Palestinian State? Examining the Alternatives*, Adelphi Papers #163 (London: Institute of Strategic Studies, 1981).

12. Benny Morris, "No Easy Answer," *Jerusalem Post*, 4 July 1986, gives a succinct account of the complexities surrounding the adoption of the Gaza Plan.

13. Neil Caplan, "A Tale of Two Cities: The Rhodes and Lausanne Conferences, 1949," *Journal of Palestine Studies* 21, no.3 (Spring 1992): 21. For an Israeli interpretation of the plan and its significance, see an editorial in *Palestine Post* entitled, "Gaza Plan," 29 May 1949.

14. Caplan, p. 22.

15. Morris, *The Birth of the Palestinian Refugee Problem*, pp. 266–75; and Mordechai Gazit, "Ben Gurion's Proposal to Include the Gaza Strip in Israel, 1949," in *Zionism: Studies in the History of the Zionist Movement and of the Jewish Community in Palestine* 12 (Tel Aviv: Tel Aviv University, 1987), pp. 313–32 (in Hebrew).

16. In this regard, an Israeli scholar, Varda Shiffer, states, "that the offer was made without any intention of implementation and that it would not have been made had there been any realistic prospect of its acceptance by the Arabs." See Varda Shiffer, "The 1949 Israeli Offer to Repatriate 100,000 Palestinian Refugees," *Middle East Focus* 9, no.2 (Fall 1986): 18. Livia Rokach, *Israel's Sacred Terrorism: a study based on Moshe Sharett's Personal Diary and Other Documents* (Belmont, MA: AAUG, 1980), p. 47, indicates that in written instructions to Israel's ambassadors regarding a security pact offered to Israel by the United States in 1955, Foreign Minister Moshe Sharett represented the Israeli government position on refugee repatriation. In his diaries, he wrote:

> there may be an attempt to reach peace by pressuring us to make concessions on the question of territory and the refugees. I warned [the ambassadors] against any thought of the possibility of returning a few tens of thousands of refugees, even at the price of peace.

17. This information was described in a public lecture by Benny Morris, who also described how Jewish settlers on kibbutzim would booby-trap water pumps to prevent Palestinians from removing them. The bodies of those individuals killed by the pump traps were also booby-trapped, so no one could bury them. See *CAABU Bulletin*, 15 February 1991.

18. For an account of how Ben-Gurion and his followers deliberately precipitated war, see Avi Shlaim, *Conflicting Approaches to Israel's Relations With the Arabs: Ben-Gurion and Sharett, 1953–1956*, Working Paper #27, (Washington, DC: International Security Studies Program, The Wilson Center, 23 September 1981), pp. 6–14.

19. Rokach, p. 44.

20. Sharett further wrote:

> ...the occupation of the Gaza Strip will not resolve any security problem, as the refugees...will continue to constitute the same trouble, and even more so, as their hate will be rekindled...by the atrocities that we shall cause them to suffer during the occupation....The problem of the refugees is indeed a problem, but nevertheless we shall chase them to Jordan and even if they stay, we'll manage somehow.

Rokach, pp. 48–49.

21. Shlaim, *Conflicting Approaches*, p. 13, states that "while Sharett was exploring every possible avenue for bringing about an accommodation between Israel and Egypt, his defense minister [Pinhas Lavon] was being equally energetic in pursuit of his own goal of escalating the conflict and sowing confusion and chaos in the Arab world."

22. Ibid., p. 16.

23. Details of the Sinai and Gaza campaigns can be found in the personal accounts of those involved. See Herzog, 129–34; Ariel Sharon (with David Chanoff), *Warrior: An Autobiography* (New York: Simon and Schuster, 1989), pp. 141–53; and Moshe Dayan, *Moshe Dayan: Story of My Life* (New York: William Morrow, 1976), pp. 322–44.

24. "Thoughtless in Gaza," *Jerusalem Post*, 26 December 1956. See also "Permanent Peace is the Cornerstone of Israeli Policy," *Jerusalem Post*, 8 November 1956.

25. "Cabinet Adopts 8–Point Plan For Gaza Strip," *Jerusalem Post*, 26 November 1956.

26. Government of Israel, Ministry for Foreign Affairs, *The Gaza Strip: Aggression or Peace* (Jerusalem: The Government Printer, 1958), p. 7.

27. "Premier to Announce Policy on Free Passage, Gaza Development," *Jerusalem Post*, 23 January 1957; and Diana Lerner, "Business Picking Up in Gaza Strip," *Jerusalem Post*, 14 January 1957.

28. "IL 7,000 Earmarked For Repair of Gaza Streets," *Jerusalem Post*, 23 January 1957.

29. Hamilton Fish Armstrong, "The U.N. Experience in Gaza," *Foreign Affairs* 35, no.4 (July 1957): 614–17; and Geoffrey Godsell, "Calm Reigns in Gaza Strip," *Christian Science Monitor*, 17 March 1958. Government of Israel, Ministry for Foreign Affairs, *The Gaza Strip*, strongly implies that Israel should maintain control of the Strip but promises that "Israel is not annexing the Gaza Strip," 10. For a discussion of the British position, see Farhi, pp. 102–103.

30. Yet, it was still too early for the emergence of a separate political identity among Palestinian Arabs; it would take the 1967 Arab-Israeli war to organize and institutionalize Palestinian nationalism into a distinct political movement. See Issa al-Shuaibi, "The Development of Palestinian Entity-Consciousness: Part I," *Journal of Palestine Studies* 9, no.1 (Autumn 1979): 78–79.

31. See Peter Mansfield, "The Rise of Nasserism," in *The Ottoman Empire and its Successors* (London: MacMillan Ltd., 1973), pp. 114–34, for a discussion of Nasir's role in the Arab world.

32. J.A. Marlowe, *A History of Modern Egypt and Anglo-Egyptian Relations 1800–1953* (New York: Praeger, 1954), p. 328. For a discussion of inter-Arab rivalries in the post-Suez period, see Gabbay, pp. 476–536; and Robert W. MacDonald, *The League of Arab States: A Study in the Dynamics of Regional Organization* (Princeton, NJ: Princeton University Press, 1965).

33. United Arab Republic, Gaza, *Gaza: Springboard for the Liberation of Palestine* (Cairo: Information Department, 1962), p. 5, cited in Neu, p. 120. In a similar vein, Articles 1 and 2 of subsection I of Gaza's constitution, personally signed by President Nasir, state:

> The Gaza Strip is an indivisible part of the land of Palestine and its people are part of the Arab nation. The Palestinians in the Gaza Strip shall form a National Union composed of all Palestinians wherever they may be—its aim being the joint work to recover the usurped lands of Palestine, and the participation in fulfilling the call of Arab Nationalism....

34. In 1958, there were rumors that in an attempt to strengthen the newly formed Arab union and Nasir's position in the Arab world, the Egyptian president was arranging for the Gaza Strip to announce its independence as a nation. The residents of the Gaza Strip would then vote themselves into the United Arab Republic and thereby attract the loyalty of the Palestinians living in the West Bank. The struggle between Cairo and Amman continued.

35. The constitution for the Gaza sector appears in its entirety in "Republican Decree Announcing Constitutional System of Gaza Sector, March 9, 1962," *Middle East Journal* 17, nos. 1–2 (Winter–Spring 1963): 156–61. Raphaeli, pp. 46–47, describes the structure of government in Gaza under Egyptian administration.

36. Two newspapers were restricted: a weekly entitled *Gaza*, and *Ahkbar Falesteen* (News of Palestine).

37. Joost Hiltermann, *Behind the Intifada* (Princeton, NJ: Princeton University Press, 1991), p. 38.

38. John Ruedy, "The Dynamics of Land Alienation," in Ibrahim Abu-Lughod (ed.), *The Transformation of Palestine* (Evanston, IL: Northwestern University Press, 1971), p. 135.

39. Atef Kubursi, "An Economic Assessment of Total Palestinian Losses," in Hadawi (ed.), p. 147.

40. Ibid., pp. 147–48.

41. After 1967, this transformation occurred to a lesser degree in the Gaza Strip and

West Bank as well.

42. Kubursi, "An Economic Assessment," in Hadawi (ed.), pp. 167, 171, 315.

43. Anglo-American Committee of Inquiry, *A Survey of Palestine, Vol. 1*, p. 143.

44. Baster, "Economic Review," p. 323.

45. For details of this period, see Gabbay, pp. 412–17.

46. It was not until 1955 that the Egyptian government passed a law clarifying the Gaza-Egypt relationship ("A Law Concerning the Issue of a Fundamental Law for the Region Placed under the Supervision of the Egyptian Forces in Palestine"); see Farhi, p. 93.

47. Baster, "Economic Review," p. 324.

48. Ibid.

49. Ibid., p. 325.

50. United Nations, *General Assembly Official Records*, 6th Session, Supplement #16, 4. For more detailed information, see Neu, p. 172.

51. League of Arab States, *The Palestine Refugees—Information and Statistics* (n.p.: Costa Tsoumas & Co. Press, 1957), p. 77. UNRWA also provided relief for 3,500 bedouins living outside the camps in Gaza.

52. Baster, "Economic Review," p. 326.

53. Gabbay, pp. 118–33, gives a detailed account of relief assistance and the evolution of the UN role.

54. UNRWA rations were provided at an annual cost of $27.00 per person and amounted to 1,500 calories per day in the in the summer and 1,600 calories in the winter. The monthly basic ration for a Palestinian in the summer equalled 10 kg of flour, 600 g of pulses, 600 g of sugar, 500 g of rice and 375 g of oils and fats. In the winter this was increased by 300 g of pulses and 400 g of flour. See Arlette Tessier, *Gaza* (Beirut: PLO Research Center, August 1971), p. 14.

55. Gabbay, p. 139.

56. United Nations, *General Assembly Official Records*, 5th Session, Supplement #18, pp. 2–9, 12–21, 24.

57. *Interim Report of the United Nations Economic Survey Mission*, Vol. 1, UN Document of 28 December 1949, p. 20.

58. Ruth Van Auken, "Hopeless in Gaza," *Jerusalem Post*, 4 April 1950.

59. By contrast, Jordan contained 25 camps, Lebanon contained 16, Syria, 10, and Iraq, none. Gabbay, pp. 179–80. See also League of Arab States, p. 23.

60. James Baster, "Economic Aspects of the Settlement of Palestine Refugees," *Middle East Journal* 8, no.1 (Winter 1954): 55.

61. United Nations, *General Assembly Official Records*, 5th Session, Supplement #19, 9; and Neu, p. 173.

62. United Nations, *General Assembly Official Records*, 8th Session, Supplement #12, p. 11.

63. By 1954, 67 percent of all students were enrolled in UNRWA schools. See The Egyptian Administration in Palestine, *Official Statistics 1954* (Cairo: Department of Surveys and Publications, 1954), pp. 20–21, 24, 27, and 31 for interesting educational data, and pp. 2–3, 10–11, and 17–18 for key health data. (English translation of the Arabic original.)

64. Table 3.6 provides different absolute figures although the ratios are the same.

65. In order to reach this objective, three basic conditions were articulated for the region as a whole: an improvement in the standard of living, enhanced opportunities for vocational training, and a better distribution of refugees in the Middle East. *Middle East Record 1961*, p. 240. See also Neu, pp. 173–78.

66. United Nations, *General Assembly Official Records*, 8th Session, Supplement #12, p. 11.

67. In 1943, 80,549 plants were grown in Gaza out of a total of 1,129,564 for all of Palestine, thus revealing the relatively small scope of the Gaza afforestation project.

68. United Nations, *General Assembly Official Records*, 10th Session, Supplement #15, p. 21; and Neu, p. 175.

69. United Nations, *General Assembly Official Records*, 9th Session, Supplement #17, pp. 13–14; Gabbay, p. 463; and Neu, p. 175.

70. Baster, "Economic Aspects," p. 56.

71. United Nations, *General Assembly Official Records*, 11th Session, Supplement #14, p. 7; and Neu, p. 176.

72. Examples included road construction projects in Gaza City, Khan Younis, and several refugee camps; the construction of new drainage systems in the Gaza municipality; the construction of a new port; and a rudimentary farming project for the mass employment of young people. United Nations, *General Assembly Official Records*, 11th Ses-

sion, Supplement #14, p. 9; and Gabbay, p. 533.

73. Neu, pp. 178–79.

74. Khulusi, p. 266.

75. *Middle East Record*, Vol. 1 (London: Weidenfeld and Nicolson Ltd., 1960), p. 136; and *Middle East Record 1961*, p. 241.

76. However, 10,560 people returned to the Strip between 1956 and 1958 and 160 returned between 1963 and 1964. UNCTAD, in-house, commissioned study on population and demography in the West Bank and Gaza Strip, Geneva, Switzerland, 1992.

77. Roy, *The Gaza Strip Survey*, p. 19; Arieh Szeskin, "The Areas Administered by Israel: Their Economy and Foreign Trade," *Journal of World Trade Law* 3, no.5 (1969): 525, 531; and Eliyahu Kanovsky, *The Economic Impact of the Six-Day War: Israel, the Occupied Territories, Egypt and Jordan* (New York: Praeger, 1970), p. 174.

78. The Jordanian government, by contrast, classified the refugee camp population in the West Bank as rural. David Kahan, *Agriculture and Water Resources in the West Bank and Gaza (1967–1987)* (Jerusalem: The West Bank Data Base Project and the Jerusalem Post Press, 1987), p. 11.

79. Kahan, p. 11, 127, table 2.2.

80. Khulusi, p. 75.

81. Ibid., p. 86, puts this figure at 142,000 dunums.

82. Meron Benvenisti, *The West Bank Data Project: A Survey of Israel's Policies* (Washington, DC: The American Enterprise Institute, 1984), p. 13. Sharif Kan'ana and Rashad al-Madani, *Settlement and Land Confiscation in the Gaza Strip 1967–1984* (Birzeit, West Bank: Birzeit University Center for Research and Documentation, 1985) [English translation of Arabic original], 9, place the total number of dunums under cultivation at 170,252 in 1966.

83. Khulusi, pp. 76–77, 86; Ziad Abu-Amr, "The Gaza Economy 1948–1984," in Abed (ed.), 106; and Fawzi Gharaibeh, *The Economies of the West Bank and Gaza Strip* (Boulder, CO: Westview Press, 1985), p. 65.

84. Government measures that emphasized the continued commercialization of land and labor (as opposed to the structural reform of the agricultural sector) resulted in the development of capitalist agriculture within the tiny, artificial economy of the Gaza Strip that proved extremely lucrative to Gaza's landowning class but only because there were no other ways of realizing comparable profits. See Sarah Graham-Brown, "The Economic Consequences of the Occupation," in Aruri (ed.), pp. 311–25.

85. Figures presented in table 8.1 are slightly different.

86. Gharaibeh, p. 71.

87. Khulusi, pp. 77–78; Abu-Amr, "The Gaza Economy," in Abed (ed.), p. 114.

88. Kahan, p. 3.

89. The cultivation of other fruits including apples, grapes and almonds were also sacrificed. Department of Agriculture, *Vegetable Production in the Gaza Strip* (Gaza Strip: Civil Administration, 1986).

90. Abu-Amr, "The Gaza Economy," in Abed (ed.), p. 107.

91. The Egyptian Administration in Palestine, *Official Statistics 1954*, pp. 104–107.

92. Kanovsky, pp. 175–76; Khulusi, p. 201.

93. Khulusi, pp. 83–84.

94. This figure is based upon an Egyptian population census of the Gaza Strip, which placed the total de jure population at 455,000 in 1966.

95. Bakir Abu Kishk, *The Industrial and Economic Trends in the West Bank and Gaza Strip* (Beirut: United Nations Economic Commission for West Asia, Joint ECWA/UNIDO Industrial Division, December 1981), places industry's contribution to GDP in 1966 at 3.3 percent, or one-eighth the contribution of the agricultural sector. By the same author, see "Industrial Development and Policies in the West Bank and Gaza," in Abed (ed.), pp. 167–68.

96. Abu-Amr, "The Gaza Economy," in Abed (ed.), pp. 109–10; Gharaibeh, pp. 88–89; and Roy, *The Gaza Strip Survey*, pp. 55–56.

97. Khulusi, 159–60; and Abu-Amr, "The Gaza Economy," in Abed (ed.), 110. Khulusi includes a table on p. 160 that appears to be mislabelled. The column beneath the heading "# of workers" refers to the number of workshops.

98. Abu Kishk, p. 13; and Abu Kishk, "Industrial Development," in Abed (ed.), p. 168.

99. The Ahmed Shurab Company employed 195 people, but the work was seasonal.

100. Hisham Awartani, *A Survey of Industries in the West Bank and Gaza Strip* (Birzeit, West Bank: Birzeit University, 1979), p. 9. Awartani states that there were 14 large-scale enterprises: 2 citrus-packing houses, 2 beverage-bottling plants, and 10 carpet and textile-weaving plants.

101. The per firm figure is calculated using the 770 industrial workshops known to exist in 1966. In 1966, 1 Egyptian pound = US $2.30.

102. Abu-Amr, "The Gaza Economy," in Abed (ed.), p. 111; and "Gaza Strip, Sinai

were workless under Egypt," *Jerusalem Post*, 25 July 1967. The latter states that industrial output reached $1,195,000 based on a total capital investment of $950,000.

103. Khulusi, p. 201. This figure was derived by dividing 1,782 laborers by 6,060 workers, which Khulusi estimated to be industry's employment capacity. The occupation able to absorb the single largest number of workers (12,000) was weaving. The shortage of skilled technicians was a major problem affecting local industry and one reason it remained decidely traditional.

104. The Egyptian Administration in Palestine, *Official Statistics 1954*, pp. 70–95, lists at least one hundred industrial imports. In addition, processed foods (including coffee, sugar, and tea) were also imported.

105. Szeskin, p. 538.

106. The Egyptian Administration in Palestine, *Official Statistics 1954*, pp. 106–107; and Khulusi, p. 213.

107. Szeskin, pp. 532–533, makes a similar argument for the foreign trade of the West Bank.

108. Arie Bregman, *Economic Growth in the Administered Areas 1968–1973* (Jerusalem: Bank of Israel Research Department, 1975), p. 82.

109. Szeskin, 538; Kanovsky, 170.

110. Neu, p. 183. Also see Lesch, UFSI Reports, nos. 10–11, p. 4.

111. Elie Rekhes, "The Employment of Arab Laborers from the Administered Areas," *Israel Yearbook of Human Rights* 5 (1975): 390; Khulusi, pp. 61–64; and Abu-Amr, "The Gaza Economy," in Abed (ed.), 102-103. The refugee labor force was calculated using Khulusi's figure of 10,550 refugee workers and Rekhess' figure of 83 percent unemployment among the refugee labor force. Abu-Amr places this number at 64,500. The difference is not significant. Almost 50 percent of employed refugees worked for UNRWA and the Egyptian administration.

112. Kanovsky, p. 177.

113. Szeskin, p. 538; Kanovsky, p. 78.

114. Szeskin, p. 537.

115. Bregman, *Economic Growth*, 14, estimates that per capita GNP in Gaza was $120 in 1965.

4

The Gaza Strip under Israeli Military Occupation (1967–1987) — A Political History

Israel's second occupation of the Gaza Strip began on 8 June 1967. It represented a logical culmination of earlier political intentions to control the area. Policy statements by Prime Minister Levi Eshkol and Defense Minister Moshe Dayan soon after the war conveyed the government's desire to keep the occupied territories, and as far as Gaza was concerned, to avoid the mistakes of 1956, official Israeli support for UN resolution 242 notwithstanding.[1] In 1967, as in 1956, specific economic measures were used to create and insure a new political status quo. This chapter will discuss the political context of Israel's occupation, and later chapters will discuss the economic.

Israel's permanent intentions toward Gaza had immediate implications. As in its first occupation of the area, the government established a military administration which sought to normalize conditions as quickly as possible by restoring services in a variety of sectors—health, education, agriculture, commerce, and law—and easing the restrictions on travel between the Strip and Israel. Institutional development was promoted as well.[2] Having learned its lesson in 1956, the government understood that normalization would not insure control of Gaza. Hence, seven weeks after the war ended, the Israeli cabinet secretly deliberated the Allon Plan, which provided for the formal annexation of the Gaza Strip as well as the resettlement 350,000 Gazan refugees in northern Sinai and the West Bank.[3] Again, as in the Gaza Plan of 1949, the government seemed far more concerned over territory than population.

The Allon Plan was never officially adopted by the government. How-

ever, between June and December 1967, the government evicted some 40,000 Palestinians from the Gaza Strip to Jordan, some of them leaving in Israeli buses.[4] Israel also offered Israeli citizenship to the indigenous residents of Gaza, who, unlike the refugees, were not eligible for Jordanian or Egyptian citizenship. Gazans immediately rejected this offer, preferring instead to remain Palestinian and, for the time being, stateless.

Resistance in Gaza

From the beginning, Gazans actively resisted the occupation. Indeed, Gaza once again became the symbol of that resistance. Guided by the principle of armed struggle (*al-kifah al-musallah*), which sought to defeat Israel and replace it with a Palestinian state, the rejection of Israeli rule began in the Gaza Strip and included Arab schoolgirls as well as armed guerrilla fighters. In 1967 as in 1987, "women and children poured into the streets calling upon the Israelis to 'go home.' They built barricades... marched on the offices of the Israeli governor,...stoned vehicles of the Israeli occupation authorities and of Israeli tourists."[5] Within less than a year of Israel's occupation of the Gaza Strip, a protracted period of armed struggle between the PLA and the Israeli military began. Armed struggle was most intense between 1969 and 1971. In the wake of the Arab state defeat, the PLO emerged as a greatly strengthened political force with a committed military presence in Gaza. A guerrilla movement soon developed whose targets included the Israeli Defense Forces (IDF), Israeli establishments inside the Strip, Israeli civilians and civilian settlements, and Arab collaborators, a category that also included Palestinians working in Israel or with Israeli concerns in Gaza.[6] Using bombs, grenades, and sabotage, the PLA operated from within the refugee camps and was largely sustained by the refugees.

Gaza provided fertile ground for a resistance movement. The overcrowded camps provided easy refuge for Palestinian fighters who had been armed and trained by the Egyptian army just years before.[7] Moreover, because Egyptian policy had allowed no local leadership to emerge in Gaza, the resistance fighters and the Israeli military struggled to fill the political vacuum.[8] Unlike in the West Bank, where various political forces strove to control the territory, in Gaza, the IDF and the Palestinian fighters were the only contenders. This day-to-day exposure gained the fighters increasing influence.

In addition to the guerrilla fighting, civil disobedience became widespread.[9] The government found it increasingly difficult to control the territory. A former fighter recounted: "We controlled Gaza by night and the Israelis controlled it by day."[10] In a confidential message to his superiors at *The New York Times*, a Jerusalem-based reporter wrote:

> Try as they might, the Israelis seem unable to solve the problem of how to run restless Gaza. To curb terrorism, the Israelis recently sent in their tough border police to help army units. The terrorism decreased but administra-

> tive problems continued. On January 2, the Israelis fired the Egyptian-appointed mayor, Ragheb El-Alami. This weekend, the Israelis dissolved the town's municipal council, placing Gaza temporarily under control of an Israeli army major. The drastic action underlines the continuing troubles Israel is having in Gaza, an old bugaboo.[11]

The government responded by systematically arresting PLA fighters,[12] public demonstrators, and prominent political figures and even expelling them to Sinai or deporting them to Jordan. Between 1968 and 1971, Israel deported 615 Gazan residents, 87 percent of the total number of deportees (705) from the Gaza territory from 1967 to 1988.[13] The military government placed refugee camps under 24-hour curfew and imposed severe restrictions on movement.

When Ariel Sharon became chief of the IDF southern command in 1970, he embarked on a campaign to rid the Gaza Strip of all resistance. Sharon's three-pronged plan aimed to widen camp roads, establish Jewish settlements, and eliminate refugee camps. Only the first two goals received official sanction.

Between July 1971 and February 1972, Sharon enjoyed considerable success. During this time, the entire Strip (apart from the Rafah area) was sealed off by a ring of security fences 53 miles in length, with few entrypoints. Today, their effects live on: there are only three points of entry to Gaza—Erez, Nahal Oz, and Rafah.

Perhaps the most dramatic and painful aspect of Sharon's campaign was the widening of roads in the refugee camps to facilitate military access. Israel built nearly 200 miles of security roads and destroyed thousands of refugee dwellings as part of the widening process.[14] In August 1971, for example, the Israeli army destroyed 7,729 rooms (approximately 2,000 houses) in three volatile camps, displacing 15,855 refugees: 7,217 from Jabalya, 4,836 from Shati, and 3,802 from Rafah.[15] Some 400 displaced families were relocated to el-Arish in north Sinai; 300 individuals were sent to Jericho in the West Bank. The others were left to find their own living arrangements in the Strip, mainly in Rafah. Moreover, 12,000 relatives of suspected guerrillas were deported to detention camps in the Sinai desert.

By early 1972, the Israeli army had achieved its objectives: it had killed large numbers of guerrillas and assumed control over the refugee camps. Having reduced the armed Palestinian presence in Gaza (with substantial help from King Hussein, whose offensive against the PLO in Jordan in September 1970 also weakened the resistance movement in Gaza), Sharon's second objective, the establishment of Jewish settlements (or "Jewish fingers" as he called them) could be implemented.

> I wanted [a settlement] between Gaza and Deir el Balah, one between Deir el Balah and Khan Younis, one between Khan Younis and Rafah, and another west of Rafah....If in the future we wanted to control this area...we would need to establish a Jewish presence now. Otherwise, we would have no motivation to be there during difficult times later on.[16]

Eventually, a settlement pattern close to Sharon's vision emerged.

The Labor government had long before reached the same conclusion as Sharon. One month after Israel assumed control over Gaza, Defense Minister Moshe Dayan stated, "The Gaza Strip is Israel and I think it should become an integral part of the country....I don't see any difference between Gaza and Nazareth anymore."[17] Indeed, one way to insure Gaza's inseparability from Israel was through rapid civilian settlement, an urgent feature of Israel's post-war policy of "creating facts."[18] Minister without Portfolio Israel Galili, who also chaired the Committee for the Settlement of the Gaza Strip, similarly stated that "each visit to the Gaza Strip reconfirmed his identification with the government's conclusion that it must not be separated from Israel territory."[19]

However, given the problems of the Gaza area, the government did not establish many settlements in the territory, as it did in the West Bank and East Jerusalem, but chose instead to establish Jewish settlements at Gaza's southern border with Sinai which it had also captured in the 1967 war. The settlement drive began with the forcible evacuation of 6,000 bedouin from the northeastern corner of the Sinai district.[20] Approximately 33,250 acres of cultivated bedouin land were expropriated, while bulldozers destroyed houses, wells, and other immovable property.[21] By 1978, thirteen settlements had been constructed in the Northern Sinai (and six in the Strip). Their purpose was to serve as a buffer zone between the Gaza Strip and the rest of the desert peninsula.

Appointment of a Municipal Council

Israel's policy of creating facts was indirectly facilitated by the activities of the more traditional and reactionary social circles within Gaza who, since the onset of Israeli rule, had remained largely isolated from political life, cut off from other Arab countries, and extremely concerned with their own material survival. They included Gaza's wealthy citrus merchants and land-owning elite, historically the source of Gaza's political leadership. In the aftermath of the guerrilla violence, these individuals sought to restore to the Strip some semblance of social and economic order, which they felt the resistance had weakened. They also sought to become Gaza's representative voice. At the request of the Israeli authorities, a leading citrus merchant, Rashad Shawa,[22] agreed to become mayor in September 1971. He then formed a municipal council whose members all came from Gaza's upper classes.

Mayor Shawa and the municipal council generated intense controversy, because many nationalists viewed their appointments as a political compromise with the occupier that had little popular support. The PLO, in particular, refused to endorse the municipal council and encouraged armed rather than political struggle. However, with the reinstatement of a local municipal structure and the effective defeat of the resistance movement, political struggle began to challenge armed struggle as a tactical approach for confronting the occupation.

In 1972, the mayor focused on the economic revitalization of Gaza's citrus industry, which had suffered greatly during the fighting, as well as from a variety of Israeli-imposed measures, including the closure of the Bank of Palestine in 1967, the introduction of new trade restrictions, and the levying of new taxes. Export markets were secured through newly established trade routes with Jordan.

The positive effects of the mayor's activities were outweighed by growing public dissent over his support for the creation of the "United Arab Kingdom," a federation between Gaza, the West Bank, and Jordan, proposed by King Hussein in March 1972. Nationalists in the Strip, outraged by Black September, rejected any leadership emanating from Jordan, as did President Sadat, who, fearing a separate agreement between Israel and Jordan, severed diplomatic relations with Jordan and did not renew them until September 1973.[23]

Under intense criticism from both Gazans and Israelis, Mayor Shawa resigned in October 1972.[24] His resignation was followed immediately by the reinstatement of direct military rule in the Gaza Strip. The Israeli military governor assumed all the powers of his Egyptian predecessor. Israelis were appointed to head all social service departments.

Direct Israeli rule over Gaza continued until October 1975, when Shawa agreed to be reappointed as mayor of Gaza City, an act that again angered many Palestinian nationalists who insisted that Gazans reject the Israeli system of appointments and call for elections. This sentiment was heightened by the April 1976 municipal elections in the West Bank, where the victory of pro-PLO candidates eventually prompted Israel to suspend municipal elections in the West Bank as the British had done in Gaza thirty years before. The PLO was extremely popular in the Strip. By October 1977, support for the organization crossed the relatively wide spectrum of political opinion; Gaza was split among pro-Egyptian, pro-Jordanian, PLO nationalist, and religious factions.

Camp David Accords

President Sadat's visit to Israel in November 1977, however, touched off what would be the most explosive phase of Gaza's political history yet. The explosion was fueled by the Camp David Accords and their plan for Palestinian autonomy in the occupied territories. Most Gazans interpreted the Accords as a renunciation by Egypt of all claims on the Gaza Strip. The autonomy plan, moreover, contained many clauses that Palestinians found unacceptable.[25] Objections to the plan emphasized two key points: Israel's continued control over land, water, settlements, and security in the Gaza Strip and West Bank; and continued prohibitions on the establishment of a Palestinian policymaking government. Furthermore, at the end of the process, Palestinians were to choose between Jordanian or Israeli citizenship, neither of which appealed to Gazans.

The Sadat initiative was regarded in Gaza as a political betrayal of the Palestinian cause by a government they had come to trust.[26] Most Gazans saw it

as an attempt to bypass the PLO and bargain away national statehood for the Sinai oilfields. Sadat's later suggestion for a "Gaza First" approach to the implementation of the autonomy plan, which was motivated by a need to prove that Egypt was not seeking a separate peace with Israel, did little to mollify local dissent. Under this scenario, autonomy would be "tested" in Gaza before the West Bank, because the Strip was far smaller in size, easier to administer, and less encumbered by disputes over borders. The idea required the establishment of a local ruling council similar to that which existed in Gaza before 1967. The success of the council, it was believed, would entice West Bank Arabs into a similar political experiment, even if it meant defying Jordan and those Arab states opposed to autonomy.

Sadat felt certain he could convince Gazans to adopt his "Gaza First" proposal; he assumed that the mainstream leadership in Gaza was far less opposed to autonomy than their counterparts in the West Bank.[27] His assumption proved embarrassingly incorrect when even Israeli-appointed Mayor Shawa openly rejected the plan. The mayor, who was frustrated by the continued absence of viable political options for the Palestinians, found the autonomy proposals and the Sadat initiative particularly objectionable.

One month after the Camp David Accords in September 1978, a rally was held in Gaza to denounce the accords and to propose comprehensive negotiations for Palestinian self-determination, which were to include the PLO. This rally, the only one allowed in Gaza between 1967 and 1993, brought together individuals and groups from a wide range of political viewpoints, including members of both the indigenous upper classes and the refugee community. Indeed, the differences between these two groups had accounted for the lack of an organized, well-led political movement in the Gaza Strip.

After the rally, the Israelis imposed restrictions on political activity in Gaza, particularly on the organization of public assemblies and meetings. Individuals with known political preferences were confined to the Strip for long periods. Over the next year tensions increased, and various municipalities and local councils issued a communiqué openly proclaiming the PLO as the sole legitimate representative of the Palestinian people. During this time, Egypt, in perceived concert with the Israelis, exerted its own punitive pressures on Gazans. Angered over their rejection of the Camp David Accords and his "Gaza First" proposal, Sadat froze salary payments to officials employed in Gaza by the Egyptian government prior to 1967 and blocked the admission of Gaza students to Egyptian universities.[28]

The rejectionist front, which had developed in the wake of Camp David, resisted Egyptian and Israeli pressures. By 1980, it enjoyed considerable popular support. Despite official announcements of a new, more lenient policy toward the occupied territories, Prime Minister Begin and his defense minister, Ariel Sharon, imposed what came to be known as Israel's "iron fist" policy. The cancellation of promised municipal elections and the expulsion of two West Bank mayors, Mohammed Milhelm of Halhoul and Fuad Kawasme of Hebron,

were but two examples. An editorial appearing in Israel's independent newspaper, *Haaretz*, said of the government's new policy: "If this is liberalization, it is being applied...with pincers."[29] The autumn of 1981 and the spring of 1982 witnessed a strong resurgence of civil disobedience in the Gaza Strip. A series of Israeli measures imposed on Gaza's residents catalyzed the upsurge in violence.[30]

Soon thereafter, the Israeli government instituted a civil administration in the Gaza Strip and West Bank, structurally parallel to that of the military administration and subject to it. In that sense, the civil administration was, in effect, an integral part of the military structure. Implemented in Gaza on 1 December 1981, the CIVAD, as it came to be known, was given responsibility over all nonmilitary sectors such as health, education, and welfare. Interpreted as the first step toward the implementation of Begin's autonomy plan and the annexation of the territories, the imposition of the civil administration generated considerable frustration and fear in Gaza and once again ignited local passions that took months to quell. Israel's annexation of the Golan Heights in December 1981 did little to appease Arab fears.

On 2 December Mayor Shawa announced a general strike protesting the civil administration. Shawa, in conjunction with West Bank mayors, continued to boycott the CIVAD by refusing to cooperate with its officials. In the spring of 1982, the West Bank mayors were removed and replaced by Israeli military officials; Shawa was ordered to end the strike in Gaza. His refusal to do so culminated in his dismissal and the disbanding of Gaza's municipal council once again. By August 1982, the Israeli interior ministry assumed control over Gaza's municipal structure and direct military rule resumed in the Strip. It was not until 1991 that the defense ministry and the local Palestinian leaders agreed to establish a new municipal council in Gaza headed by Fayez Abu Rahme, an attorney and known Fatah activist.

Israel's final withdrawal from Sinai in April 1982 and the Lebanon war that followed heightened tensions and the sense of despair in the Strip. During this time, the Israeli authorities intensified their control over Gaza through a variety of measures, among them increased civilian settlements *inside* the territory.[31]

In the spring of 1986, ex-Mayor Shawa approached Egyptian president Hosni Mubarak with a proposal for returning Gaza to Egyptian administrative supervision, with Israeli approval, pending a final solution to the status of the territory. Shawa had cause for some optimism; the failure of the Jordanian-PLO talks and the assassination of Nablus Mayor Zaafer al-Masri had caused Israeli policymakers to consider a "Gaza First" autonomy scheme.[32] Shawa's autonomy proposal called for setting up Egyptian consular services in East Jerusalem, reestablishing the Palestinian legislative council that existed under Egypt, and opening an Egyptian bank in Gaza.[33] Reflecting an attempt to break through the political impasse confronting the occupied territories by calling for Egyptian-backed Palestinian self-rule in the Gaza Strip, the proposal was ultimately

doomed by a clear lack of support from President Mubarak, King Hussein, and Prime Minister Peres.

By the outbreak of the Palestinian uprising on 8 December 1987, Gaza had no elected mayor, no election process, and no right of public assembly. Palestinians had no flag and no sovereignty. Channels for political expression and legal protection did not exist and seemed increasingly improbable in light of the 1985 reinstatement of preventive detentions and deportations. Heightened civilian settlement brought with it contestations over vastly limited natural resources, especially land and water. Economic growth had ended years before, and an array of military restrictions, in effect since 1968, had precluded any form of indigenous economic development.

Conclusion

Gaza's political history under Israeli occupation reveals two facts of particular significance for economic development: Israel's desire for absolute control over land and water, Gaza's critical resources; and Israel's total rejection of any independent indigenous political or economic movement. The "land over people" priority first articulated by the Zionists during the Mandate period was reexpressed in government policies toward the Gaza Strip after 1967, which aimed to insure Gaza's inseparability from Israel.

Political inseparability was fostered through economic integration, through policies that raised Israel's territorial considerations above all others, including the economic. In this way, Israeli policy in Gaza was not motivated primarily by economic rationality but by political ideology. This ideology abhorred the notion of Palestinian sovereignty and rejected any process that might encourage it, especially economic development. Consequently, the government of Israel has pursued a policy of *de-development* in the Gaza Strip which is predicated on the structural containment of the Palestinian domestic economy and the deliberate and consistent dismemberment of that economy over time. However, although radical structural change of the economy was prohibited, individual prosperity was not. Indeed, limited prosperity was meant to mollify Palestinians politically, whereas the loss of their indigenous infrastructural base was meant to insure their continued dependence on Israel economically and preclude the emergence of any nationalist movement or cultural identity from within the occupied territories. In this way, de-development may be regarded as the economic expression (and continuation) of Israel's ideological and political priorities. The conclusion to this book argues that this continues to be case under the Gaza–Jericho Agreement.

Part II of this book, which follows, focuses on de-development, its theory, policy roots, and sectoral manifestations.

Notes to Chapter 4:

1. See Meir Shamgar, "The Law in the Areas Held by the Israel Defense Forces," *Public Administration in Israel and Abroad* 8 (1968): 40–57; and Mordechai Nisan, *Israel and the Territories: A Study in Control 1967–77* (Ramat Gan: Turtledove Publishing, 1978).

2. See Don Peretz, "Israel's Administration and Arab Refugees," *Foreign Affairs* 46, no.2 (January 1968): 336–46.

3. Under the Allon Plan, Israel would return the West Bank to Jordan but would retain a narrow strip of settlements along the Jordan River. The West Bank would be joined to Jordan by a corridor leading from Ramallah through Jericho to the Allenby Bridge. The Dead Sea and the Judean Desert would serve as Israel's defence line in the East. Gaza would revert to Israel but most of Sinai could be returned to Egypt. The Gaza Strip could serve Jordan and the West Bank as an outlet to the Mediterranean with Israel granting certain rights of passage. However, a corridor would not be established.

4. In 1976, Allon changed his mind and proposed returning Gaza to Arab control. His change in strategy was motivated by the government's failure to fully implement its original plans to settle many of Gaza's 350,000 refugees in el-Arish. Allon's ideas are discussed in Yigal Allon, "Israel: The Case For Defensible Borders," *Foreign Affairs* 55, no.1 (October 1976): 38–53.

5. John K. Cooley, "Gaza points up strain in Middle East," *Christian Science Monitor*, 31 May 1968.

6. Daniel Dishon (ed.), *Middle East Record*, Vol. 5, 1969–1970 (Jerusalem: Israeli Universities Press, 1977), pp. 395–401.

7. Dishon (ed.), p. 399. For a study of the role of the fighters within Palestinian society, see Yasumasa Kuroda and Alice K. Kuroda, "Socialization of Freedom Fighters: The Palestinian Experience," in Ibrahim Abu-Lughod and Baha Abu-Laban (eds.), *Settler Regimes in Africa and the Arab World: The Illusion of Endurance* (Wilmete, IL: Medina University Press International, 1974), pp. 147–61.

8. A. Susser, "The Israeli-Administered Territories," in Dishon (ed.), p. 343.

9. State of Israel, Ministry of Foreign Affairs, *The Administered Areas: Aspects of Israeli Policy*, Information Briefing 10, Jerusalem, September 1973, p. 35.

10. For a view of the guerrilla movement from the inside, see Carlos Padilla, "Report on Palestine Resistance," *Arab Palestinian Resistance* 2, no.4 (January 1970): 29–40. A guerrilla fighter in Gaza tells his own personal story in "Highlights of Palestinian Struggle: The Fedayeen Rule the Gaza Strip," *Democratic Palestine* (May 1987): 17–21.

11. Confidential report dated 15 February 1971, *New York Times* archives, New York.

12. Between April 1970 and April 1971, 71 guerrilla fighters were killed, 25 captured and 1,219 arrested. See "Aviram: Mood of Gaza population changing," *Jerusalem Post*, 2 April 1971.

13. Al-Quds Press Office, *Gaza: A Table Explaining the Number of Palestinian Deportees from the Gaza Strip June 1967–October 1988*, Gaza, 1989. The table indicates that after 1973 there were comparatively few deportations from the Strip.

14. An Israeli colonel, Shumuel Liran, justified the widening of roads as an attempt "to bring some light and space into the camps." Walter Schwarz, "Israel Begins Resettling Gaza Arabs into Better Homes,"*Washington Post*, 5 November 1970. Between 1967 and 1988, the army destroyed a total of 22,230 rooms and displaced 61,401 people. In-house statistics, UNRWA, Gaza Strip, 1989.

15. In-house statistics, UNRWA, Gaza Strip, 1989.

16. Sharon, p. 258. See also, "Go to Gaza," *Shdamot* (in Hebrew), no.66 (Winter 1968): 7-13, for the opinions of the Governor of Gaza between 1971 and 1974.

17. Ze'ev Shul, "Dayan: Gaza Strip should be integral part of Israel," *Jerusalem Post*, 6 July 1967.

18. Geoffrey Aronson, *Creating Facts: Israel, Palestinians and the West Bank* (Washington, DC: Institute for Palestine Studies, 1987).

19. "Consolidation in Gaza Strip must be speeded—Galili," *Jerusalem Post*, 8 October 1970. Foreign Minister Abba Eban and Minister of Police Shlomo Hillel were expounding similar viewpoints. See "Eban: Gaza won't be separated from Israel," *Jerusalem Post*, 17 November 1972; and H. Ben-Adi, "Hillel: working toward Gaza's full integration," *Jerusalem Post*, 5 January 1971.

20. "In high court Rafah Beduin lose case against their eviction," *Jerusalem Post*, 24 May 1973.

21. Neu, p. 136; and Terrence Smith, "Lines of Israeli Settlements in Occupied Areas Are Said to Reflect Plans for Borders," *New York Times*, 6 November 1975.

22. David Richardson, "Last of the Aristocrats," *Jerusalem Post*, 17 May 1985, presents an interesting profile of Rashad Shawa, who was a central figure in the history of the Palestinian nationalist movement.

23. Neu, p. 139.

24. For an interesting discussion of this period, see Anan Safadi, and Philip Gillon, "Gaza After Shawa," *Jerusalem Post*, 27 October 1972.

25. William E. Farrell, "Begin Insists Israel Must Keep Troops in West Bank Area," *New York Times*, 29 December 1977, for a text of Begin's plan for the West Bank and

Gaza Strip. For a retrospective view, see "Introduction," in William B. Quandt, *The Middle East: Ten Years After Camp David* (Washington, D.C: The Brookings Institution, 1988), pp. 1–16.

26. Moslem cleric Sheikh Hasham Hussendeir, supported the idea of autonomy as did other religious figures and some local secular leaders, such as the mayor of Deir el-Balah. They were all threatened and Sheikh Hussendeir was later assassinated.

27. Colin Legum (ed.), *Middle East Contemporary Survey*, Vol. 3 (New York: Holmes and Meier, 1980), p. 327.

28. Legum (ed.), *Middle East Contemporary Survey*, Vol. 5, p. 343. For Dayan's interpretation of Sadat's measures, see Moshe Dayan, *Breakthrough: A Personal Account of the Egypt-Israel Peace Negotiations* (New York: Alfred A. Knopf, 1981), pp. 291–93.

29. William Farrell, "Israeli Shift on Arabs: Real or Mirage," *New York Times*, 19 August 1981.

30. The first of these measures concerned the government imposition of a special excise tax on professionals, which resulted in a strike on 22 November 1981 by doctors, dentists, pharmacists, veterinarians, lawyers, and engineers. In response, the Israeli government welded shut the doors of 170 shops and 18 pharmacies, imposed heavy fines on doctors, and arrested protesters. The strike, which ended two weeks later, delayed but failed to alter government measures.

31. See, for example, Joshua Brilliant, "Sharon shuns group on areas after leak of plan for Gaza," *Jerusalem Post*, 15 November 1978; and Ann Lesch, *The Gaza Strip: Heading Towards a Dead End, Part II*, no.11, p. 2.

32. Benny Morris, "Israel may sound out Murphy on Gaza plan," *Jerusalem Post*, 10 March 1986.

33. See, for example, Glenn Frankel, "Palestinian Leader Wears Risky 'Moderate' Label: Shawa Tests Political Boundaries with Call for Gaza's Union with Jordan," *Washington Post*, 22 August 1986.

PART II:

Israeli Occupation and De-development

5

Theories of Development and Underdevelopment: The Particularity of Palestinian Dependence

Prior to 1967, underdevelopment was a characteristic feature of Gaza's economy. De-development commenced only under Israeli occupation. The distinction is a product of Israeli state policies that differed greatly from those of previous regimes. Egypt, for example, never aimed to extend its sovereignty to the Gaza Strip and vigorously maintained the territory as a separate national, political, and economic entity. For better or worse, the character of economic reform in Gaza was shaped by this political imperative, which was also linked to Egypt's own underdeveloped economy. The government did not seek to deprive Gaza of its own economic resources or restructure the domestic economy to serve Egyptian interests. Israel, by contrast, did, and as a highly industrialized and technologically advanced economy, possessed the power to do so.

Israel's national and political imperatives in the remnant of Mandate Palestine departed significantly from those of its predecessors. The state's national aspirations extended to the occupied Palestinian territories despite the political ambiguity surrounding their exact form. The imperatives of expanding Israeli sovereignty produced an economic policy that prioritized integration over separation, and dispossession over exploitation. Moreover, the expansion of Israeli sovereignty also demanded the rejection of Palestinian nationalism and the weakening or suppression of those forces, largely institutional, that could promote that nationalism. These unusual features of Israeli policy, which reflected the ideological imperatives of Zionism, produced not only underdevelopment but de-development. Chapters 7 to 9 discuss the policy components of de-de-

velopment: expropriation and dispossession, integration and externalization, and deinstitutionalization.

Thus, during Israeli rule economic policy was used primarily as a form of state control, and only subsequently as a formula for determining economic advantage. This approach and its economic consequences are not easily explained by existing development theories that prioritize the economic over the political. Indeed, such theories fail to explain the economic problems of the Gaza Strip. The reason for their failure is the subject of this chapter. The aim is to provide a conceptual framework for understanding Gaza's de-development.

The development process, which has been the subject of considerable theorizing, began after World War II with the beginning of decolonization and "the revolt against the West."[1] In the newly emerging nations of the third world, economic development was initially seen as a means of achieving political stability and building national identity and, given the example set by the West, was expected to occur rapidly and easily. Development and its counterpart, underdevelopment, have been conceived as many things and explained in many ways, but the theoretical discourse that has emerged around both concepts has attempted to identify their causes and articulate an appropriate response. The focus of the discourse, however, has largely been economic, deriving from a belief among the less developed that economic progress is synonymous with indigenous development.

Development theory can generally be categorized by its response to capitalism. Theories that emphasize the positive impact of capitalist development on third world formations constitute what is termed modernization theory. Those that emphasize the negative impact of capitalist development are termed dependency theory.[2] Born in the cold war era of the 1950s, modernization theory was an attempt to challenge Soviet influence in the third world by offering a Western-style formula for economic growth and social advancement. A decade later, dependency theory arose, in part, as a socialist response to the politics of modernization and modernization's inherent bias towards capitalist-inspired development. After more than four decades of theoretical discourse, the reasons for development and underdevelopment remain unresolved. Despite its inability to *explain* these phenomena, however, development theory has proven particularly useful as a tool for *understanding* them.[3]

Both modernization and dependency theory reveal the difficulties and deficiencies in studying economic change.[4] Both can be used to shed some explanatory light on development in the Gaza Strip, although that light arguably obscures more than it reveals.[5] Modernization theory, for example, points to the lack of capital and absence of innovation as impediments to development, factors that have clearly impeded growth in the Gaza Strip and West Bank. Some theorists argue that the fastest and most efficient way to promote economic growth in less developed nations is to improve the productivity of the agricultural (food-crop) sector, where the majority of the population live and work, whereas others emphasize the development of industry first. Clearly bi-

ased toward the Western experience with development and its economic aspects in particular, modernization theorists posit that the West can have only a positive and progressive impact on less developed nations. Hence, they also link the lack of economic development in the third world to the inimical and obstructive nature of traditional values and cultural practices. All these arguments could be used to explain underdevelopment in the Gaza Strip.

Dependency theory elucidates the significance of the structural relationship between a dominant and a subordinate economy and exposes the process by which the latter is exploited to serve the needs of the former. It also reveals that underdevelopment is shaped far more by relations of trade than by relations of production. It is the consequences of markets and trade rather than production patterns in peripheral economies that are the catalysts of underdevelopment. These features also characterize economic conditions in the occupied territories, especially the Gaza Strip. Other applications can be drawn as well.

Both Palestinian and Israeli scholars have used various development theories to describe Israel's economic relationship with the West Bank. Theory, however, has not been used to describe Israel's relationship with the Gaza Strip. Palestinians tend to use the language of dependency theory and use neo-Marxist analyses to define the relationship between Israel and the West Bank as economic and structurally asymmetric. It is a center-periphery relationship between two separate economies, with Israel the dominant "center" economy and the West Bank its subordinated, peripheralized counterpart.

The Palestinian approach characterizes Israel's economy as a highly developed capitalist economy that controls and shapes activity in the far less developed capitalist economy of the West Bank and Gaza. The latter is not freely integrated with the world capitalist system but is instead directed to meet Israeli priorities, both domestic and international. This in turn gives Israel, not the West Bank, a comparative advantage in its exchanges with the world market. Because the Israeli economy has colonized economic activity in the West Bank but has not annexed the territory politically, the two economies remain analytically separate, even though they exist within the same geographical entity. As such, Palestinians characterize the relationship between Israel and the occupied territories as a form of settler colonialism that is external rather than internal in structure.[6]

Palestinians further define the relationship as one of exchange rather than production, in which relations of markets and trade, not class, shape interaction across the green line. However, the exchange relations between Israel and the West Bank are not typical center–periphery relations, which commonly allow for some form of capitalist development in the peripheral economy (although that development is dependent on and disarticulated toward the center). Rather, the exchange relations between Israel and the West Bank are atypical in that they are characterized by a *deliberate* attempt on the part of the dominant power to first incorporate and then pauperize the periphery's productive economic

structure through a variety of measures, including land expropriation and the expulsion of the indigenous population.[7] Consequently, any possibility of initiating independent economic activity within the periphery, or those processes essential to such activity (e.g., capital accumulation), are precluded. In this regard, the critique maintains that although the peripheralization of the West Bank and Gaza Strip was not begun by Israel but by the Ottomans (and later perpetuated by the Jordanians and Egyptians), it is being carried to its structural extreme by Israeli policies that aim to repress the development of the periphery's productive economic forces.

Israelis tend to borrow heavily from modernization theory and emphasize Israel's modernizing impact on Palestinian society. They measure this impact by the dramatic material improvements in the Arab standard of living achieved under Israeli rule and by the changing patterns of consumption and production that have accompanied these improvements. Comparisons, typically made with previous Arab occupiers, are drawn along economic, social, and attitudinal lines. First, previous Arab regimes did not foster indigenous economic growth in the West Bank and Gaza Strip. Jordan, for example, clearly favored the economic development of the East over the West Bank. Gaza under Egypt fared no better. Although Egypt did not promote its own economic progress over that of Gaza's, Egyptian policy focused almost exclusively on agriculture, which placed clear limitations on the development of the modern sector and the ability of the local economy to expand. Under Arab regimes, therefore, the traditional nature of economic organization was sustained and reinforced, which precluded enhanced levels of economic growth as well as modernizing innovations.

Second, the absence of economic transformation is correlated with the absence of social transformation. Society remained rural and backward. Commonly cited evidence includes the highly restricted role of women, low levels of educational attainment and limited educational access, particularly among girls, and the inferior quality of health care as reflected in the high level of infant mortality. Without institutional development and change, Palestinians in pre-1967 Palestine remained decidedly traditional in outlook, unexposed to change and unwilling to accept it.

Third, this argument maintains that after 1967, interaction with Israeli society exposed Palestinians to a more modern way of life and inculcated attitudes and values supportive of advanced social and economic change. The argument further maintains that access to the Israeli economy, for example, brought new employment patterns that not only propelled men beyond their own narrow and traditional spheres of social and economic activity, but also created the possibility for women to leave the confines of the private domain. Israel also granted women the right to vote; their political enfranchisement was critical to the promotion of greater gender equality and fair social practice. Under Israeli rule, furthermore, the quality of and access to education and healthcare improved considerably. Universities were established and an increasing number

of hospitals built. As a result, popular expectations regarding acceptable standards of education and healthcare, as well as the perceived need for such services, increased significantly. Indeed, widened institutional development in a range of sectors was accompanied by the introduction of new technologies and greater efficiency, which Palestinians came to expect.

Through their exposure to and interaction with Israeli society, therefore, Palestinians in the West Bank and Gaza Strip adopted values and modes of living that were more advanced than the arduous and backward way of life characteristic of traditional societies. The political and economic domains become more distinct, and there was greater differentiation within each domain, particularly with respect to the role of women. Perhaps the most significant changes occurred within the economic sphere, which has been characterized by increased social mobilization and technological diffusion. Common indexes of development used by Israel include the rise in per capita GNP, the significant increase in the number of cars and electrical appliances found in Palestinian homes, and the growth in privately owned residences.[8] Thus, goes the argument, the impact of Israeli rule has been to place Palestinian society in the occupied territories further along the unilinear continuum toward Western-style modernity.

The two perspectives described above are very different, yet both contain incomplete truths. They provide an interesting, albeit competing, set of insights into the same issue, although they are derived from a very different set of ideological assumptions about development. Clearly, no one theory can explain or capture the myriad features and complexities of any development problem, nor is there a universal set of criteria for measuring development. Taken collectively, individual theories can, at best, provide a spectrum of analytic lenses through which to view a given problem and, within the conceptual repertoire currently available, insure as broad and differentiated an interpretation as possible.

This book argues that the relationship between Israel and the Gaza Strip is not easily explained by the available theoretical literature. Indeed, in clear and specific ways, that relationship lies outside existing conceptual paradigms and the assumptions on which they are based. Thomas Kuhn, in *The Structure of Scientific Revolutions,* termed this problem "paradigm exhaustion"; he argued that accepted truths are often inadequate as tools for explaining and organizing varying perceptions of different realities, and that new truths need to be created.[9] Insofar as the Gaza Strip is concerned, any attempt to understand the problems of Palestinian development must ask not only how existing theories facilitate analysis, but, more importantly, how they impede analysis. The issues associated with Palestinian development under Israeli occupation need to be understood in light of what development theory is *unable* to explain, and in light of its consistent failure to identify, let alone incorporate, certain conceptual configurations within its paradigmatic boundaries. Perhaps the reason for this failure lies in the fact that the concept of development, and the ways in

which it has been conceived over the last four decades, deny certain possibilities, especially negative possibilities.[10] Yet these possibilities—e.g., destruction of the peripheral economy, suppression of national identity, denial of civil rights—have characterized the relationship between Israel and the Gaza Strip for nearly three decades.

In the absence of adequate theoretical explanations for the peculiar problems confronting development in the Gaza Strip, it is argued that an analytic approach is needed that gives primacy to empirical data. The empirical data should provide the basis for the construction of theory.[11] Development is a relative process that must be understood in its own context and not according to some prescribed theoretical model or externally imposed definition.

Development in the Gaza Strip: The Particularity of Palestinian Dependence

In what ways is the study of development in the Gaza Strip different and how does it contribute to the theoretical discourse? One way to answer these questions is to examine how existing theories fail to explain the condition of the Gaza Strip. Despite their obvious differences, the Palestinian and Israeli approaches described above converge along a number of points that are particularly relevant to this study. Both theories present a notion of development that is teleological and economistic. Change tends to be conceptualized in linear terms and is presumed to be similar in all developing countries. Development is used interchangeably with growth and remains a purely economic concept despite its noneconomic components. Primacy is given to economic relations, often without regard to political, social, and cultural relations. Development is confined to changes in national product or national income, "without substantial change occurring in the structure or locus of social and political power, values, organization or technology—in short, without radical change in the non-economic factors or relevance to the operation of the economy."[12] However, it is precisely the transformation of these noneconomic forces together with those of the economy that underlie development. The cumulative effect of development is not simple growth but a more complex transformation in the structure of the economy and in the political, social, and cultural environment of which it is a part. The theoretical failure to distinguish between growth and development devalues the importance of comparative studies between rich and poor nations that would illustrate their dissimilarities (rather than commonly emphasized asymmetries) and dismisses the less developed country as a unit of analysis.

In this regard, less developed societies are not examined internally; they are not viewed as entities with individual historical experiences, but rather as societies that to varying degrees approximate Western economic, political, and sociological categorizations. There is no differentiation between peripheral nations, only between those of the core and the periphery. This assumption rejects

the importance of the periphery as a unit of analysis and in so doing, not only denies the role of class relations and class exploitation in the generation of peripheral underdevelopment, a role of clear import in the Gaza Strip, but denies any possibility of intraperipheral distinctions (economic, political, social, and cultural), themselves a fundamental supposition of this study. By failing to recognize the significance of third world formations, modernization and dependency theory not only err in identifying important factors of underdevelopment, but, in effect, represent an assault on the established institutional order in third world societies. In this case, it is not only the differences between Israel and the Gaza Strip that need to be understood as factors in Gaza's development but also the differences between Gaza and the West Bank.

Both modernization and dependency theory view core–periphery relations as unidirectional—from core to periphery. Neither school sees the periphery as being able to influence the core in any way. The relationship between the Gaza Strip and Israel, however, demonstrates just the opposite. It shows the many ways in which the former can affect the latter (e.g., the growing Israeli dependence on Palestinian labor, especially from the Gaza Strip; the impact of intercommunal violence on Israeli society; popular resistance to the Israeli occupation). The Gaza–Israel relationship extends the dependency relationship to one that acknowledges relations of mutual dependence. More importantly, it redefines the nature of that dependence to include causes that are not primarily economic in character.

Indeed, one way in which the Palestinian case study dramatically departs from conventional development theories concerns the relations of power between Israel and the territories it occupies. First, the periphery is part of the same geographical and economic entity as the center to which it is subordinate and on which it is dependent. Furthermore, it could be argued that the occupied territories are also a part of the same political entity as the center (despite separate political arrangements within each), given Israel's consistent unwillingness to renounce its territorial (and for some, sovereign) claims on Gaza and the West Bank. (As will be demonstrated in the book's conclusion, this has not changed under the terms of the Gaza–Jericho Agreement.) Thus, unlike many of the third world formations described by modernization and dependency theorists, the Israeli-occupied territories are not sovereign states or even entities on the way to achieving sovereignty. As such, they cannot even enjoy the limited or questionable benefits (e.g., infrastructural development, access to financial capital, some sectoral growth) of disarticulated growth associated with "traditional" dependency. The Gaza Strip and West Bank have none of the rights of political independence, such as self-determination, control over economic resources and sectoral development, freedom of cultural expression, unencumbered access to international and national capital, security, and the ability to plan. Hence, the distortion of the Palestinian economy is less the result of international economic relations, the dominance of industrial capitalism, or exploitative market relations (although linkages do exist), than of the imposition of

Israeli military power and physical force.[13]

Israel's relationship with the West Bank and Gaza Strip has been termed a form of settler colonialism and indeed, many features of this model do apply. Colonial settler states are basically characterized by four features: (1) ideological justification (e.g., the Calvinist mission of the Dutch in South Africa, the civilizing mission of the French in Algeria, and the Zionist mission of the Jewish people in Palestine); (2) legal legitimacy (e.g., the 1910 South African Constitution in which the British gave the Boer settlers the right to continue their exclusionary and discriminatory practices toward the native population; the Balfour Declaration, in which the British gave the Jewish population of Palestine the right to settle the land and form their own national body); (3) land acquisition by means such as direct purchase, non-use, public domain, state lands, military declarations (e.g., in 1863, the French took 90 percent of the cultivated lands in Algeria; in 1913, the South African Land Act gave 87 percent of the land to the white settler population; in 1948, the Zionists purchased less than 7 percent of the land of Palestine, followed since by the acquisition of land through state land laws, military closures, and confiscations for security reasons and population settlement); and (4) racism, used to justify discriminatory policies toward the indigenous population.

Although it possesses all these features to varying degrees, Israel differs in marked and important ways. The Jewish population in Palestine settled the land and eventually became the dominant group, but their intent, given their singular mission of creating a safe haven for world Jewry, was not to dominate the native population, keeping them in urban ghettos or separate areas such as bantustans as other settler states had, but to dispossess them of their economic and political resources and physically remove them from the land.[14] It was not the "typical" economic exploitation of the natives for profit that motivated the Zionists, although that did occur, but rather the ideological goal of building a strong Jewish state minus the indigenous Palestinian population that motivated Jewish settlement in Gaza and the West Bank and the large-scale land expropriations that supported such settlement.[15]

However, in order to empower the state, Israel had to increase its own economic strength and viability. Since 1967, it has done so by exploiting Palestinian labor and material resources, by settling occupied Arab lands with Jews, and by promulgating policies aimed at encouraging Palestinians to leave. Furthermore, because of massive amounts of economic aid from the United States and diaspora Jewry, Israel has enhanced its own infrastructure and development without the usual cost constraints or need to balance expenditures with profits from productivity. This, in turn, made it possible for the state to absorb and exploit Palestinian human and material resources and continue its costly settlement policies at the same time. Economic exploitation occurs and contributes to Israel's economic strength, but in a manner that differs from that of other settler states because, over time, such exploitation deprives Palestinians of their own resources.

Hence, whereas dependency theories maintain that the ruling class in both core and peripheral nations is an economic class that rules politically, in this case, the ruling class (whose allegiance is to Zionism) is a political class that rules economically. In this situation, development and underdevelopment are no longer motivated primarily by economic imperatives, but rather by political and ideological ones.

During the formative economic period under the British Mandate, Jewish colonialism sought to acquire Arab land, not Arab labor. This guiding principle did not fundamentally change after 1967. As such, Israeli capitalism never sought to create a capitalist class in the Gaza Strip or West Bank with which it could collude. To the contrary, capitalist development was not what Israel sought to implant in the occupied territories. Consequently, economic relations became a means for fulfilling political objectives, a critical component of Israel's system of control.

Development theories also overlook the link between current problems of underdevelopment and their historical antecedents. Neither development nor the interrelationships identified as impeding it are ahistorical phenomena. The problems of development in the Gaza Strip did not emerge after 1967; they are rooted in the evolution of political, economic, and social relations between Jews and Arabs in Palestine three decades before the Gaza Strip was formally established. Indeed, de-development emanates from the "land over people" imperative formalized during the British Mandate.

The political basis of Israeli policy has resulted in another unusual feature of the Gaza development model: the destruction, of the peripheral entity as an economic, political, and cultural unit. Development and underdevelopment in the Gaza Strip is characterized not only by disarticulation and structural disfigurement of the peripheral economy, but also by its total retrogression.

In Gaza's case, the peripheral economy has been dismembered through a series of measures that precluded the formation of productive forces and sought to dispossess the population of their political patrimony and economic potential. Modernization and dependency theory have never explained a problem of this nature. How, for example, would the theories explain the deliberate uprooting and displacement of the indigenous population, the "de-skilling" and underuse of the Palestinian labor force, the segmentation and fragmentation of the economic sector in the periphery, the usurpation of land and water, the proletarianization of the workforce and the increasing insignificance of the "proletariat," the alienation of the Arab labor force, or the intentional denial of access to the means of production as a form of collective punishment? Moreover, how would existing theories explain the political repression of the Palestinians, the total politicization of social and economic life in Gaza, the harassment of educational institutions, the discriminatory application of economic policy, the denial of legal protections, the destruction of personal property, the deportation of the Palestinian leadership, the arbitrary use of power, the endemic conflict between Israelis and Arabs, and racism? Whereas development theories commonly

identify dominance, inequality, and exploitation as reasons for underdevelopment, they fail to account for the dispossession and destruction of productive resources, the principal reason for Gaza's socioeconomic debilitation.

The dismantling of Gaza's economy is in part deliberate, as is the suppression of Palestinian nationalism and cultural identity that motivates it. After all, economic, political, and cultural dispossession are inextricable; the denial of the political and cultural has very much shaped the economic. Hence, development in the Gaza Strip cannot be understood simply as surplus extraction or resource exploitation, but rather as political and cultural aggression. The struggle against Israeli colonization, therefore, does not arise out of the relations of production. Power is no longer defined as mere dominance or control over the means of production but as something far more damaging. Consequently, the study of development and underdevelopment in Gaza includes analytic concepts that remain absent, implicit, or inappropriately defined in other theoretical models. Two such concepts are violence and resistance.

It is an accepted maxim of history that social change is often accompanied by violence and, in some cases, predicated on it. The development literature tends to treat this concept narrowly. Violence and its relationship to development is often regarded as extraordinary: a revolution or rebellion against an authoritarian state or toward the attainment of a new political order. Violence is also regarded as an extrainstitutional phenomenon, existing outside the legitimate institutional structure of a society rather than as an integral part of it. It is consequently portrayed as random, unorganized, episodic, and purposeless, the product of a few deviant minds.[16]

The relationship between the state of Israel and the occupied Gaza Strip and West Bank has been and continues to be characterized by violence of a very different sort. In addition to the accepted characterizations of interstate terrorism, intercommunal terrorism, and the Palestinian uprising, the more common and historic expression of violence between Israelis and Palestinians has gone unnoticed. Violence is defined as a form of interaction that is institutionalized in the structure of military government and legitimized by the system of military law. In Gaza and the West Bank, violence has never been defined solely or even primarily by physical harm to people and their possessions, but rather by the systematic application of measures that encouraged stability in the short term but promoted disintegration in the long term. These measures were designed not only to appease and then fragment Palestinian society, but to render it unviable, and to do so quietly and without notice. These measures variously included: the establishment of Palestinian (health and educational) institutions, followed by their planned and consistent disruption; the promotion of certain grassroots activities, followed by the criminalization of community organizing; the introduction of advanced agricultural technologies concomitant with the steady confiscation of land and water; the introduction of refugee rehousing programs together with the establishment of Jewish settlements on Arab land; improved access to employment in the Israeli economy in conjunction with

prohibitions on the development of the domestic Palestinian economy (e.g., restricted access to international markets, control over all forms of indigenous production and over the flow of information, and consistently low levels of government investment in key economic sectors); an improved standard of living tempered by prohibitions on virtually all forms of political and cultural expression; and the denial of civil rights.

This Kafkaesque violence is distinguished by its ordinariness, prosaism, and invisibility. The accepted norms of human behavior such as the need to be fair, consistent, accountable, or reasonable, are delegitimized and cease to define the way people treat each other or what they can reasonably expect. This violence is a form of aggression where randomness of action is the only assurance people have, and lack of predictability their only guarantee. It is violence whose physical manifestations can appear benign if not positive, but whose objectives are highly purposeful: to define the boundaries of daily activity and punish those who exceed them.

Within this construct, violence and development are not simply linked by protest or revolution, nor is violence strictly the unanticipated outcome of successful development.[17] Rather, in Gaza in particular, violence has its own unique totality; it defines development and undermines it at the same time. It characterizes the struggle between integration and disintegration. Violence determines where development begins and where it ends; what it can aspire to and what it cannot; who can participate and who cannot; how it proceeds, and at what pace. David Apter writes:

> Violence is about break, disordering, and ordering. It can do these things because it also has about it a certain starkness, a minimalism that, utterly shocking, pulls away the fabric of decency. It defines and disrupts ordinary rationality....violence today...has a dissolving effect—an alien intimacy—personal yet impersonal, like rape. One experiences it alone.[18]

If violence is a component of development in the Gaza Strip, then so is resistance to violence. Violence and resistance thus form a dialectic in the Gaza Strip. The notion of resistance presumes the periphery can defend itself against external aggression in ways that are nonviolent (although violent means have also been used) and play a role in its own development, another deviation from the theoretical paradigms under discussion that view the periphery as powerless. In Gaza, the periphery has resisted. In the Palestinian context, therefore, resistance is not simply a matter of opposing foreign rule, it is profoundly a matter of survival.

In Gaza and the West Bank, resistance has assumed many forms. One, steadfastness, was supported through a range of economic activities. Another mode of defense is institutional. It involves the establishment of mass-based organizations (e.g., trade unions, women's committees, medical and agricultural relief committees), an "infrastructure of resistance"[19] at the grassroots level, which represents a more active way the Palestinian community can defend it-

self against the dislocating effects of the occupation. Other means include the preservation of the family unit and the maintenance and strengthening of traditional cultural practices, considered anathema by modernization theorists. Indeed, the use of tradition as a form of resistance has been especially powerful in the Gaza Strip; as such, the Gaza paradigm acknowledges the importance of culture to development, as well as the ability of culture to obstruct development.

Western development theories, whether liberal or Marxist, either assail or ignore the role of religion. Religion, particularly Islam, is considered inimical to capitalism (Weber) and other forms of modernization. However, in the Middle East generally and Gaza specifically, Islam is a central feature of life. It is the source of personal and societal identity, integrity, and legitimacy. It will not be abandoned. Thus, development in the Gaza Strip must include Islam.

The study of the Gaza Strip describes a peculiar set of conditions—new forms and mechanisms of underdevelopment—not commonly seen in other third world settings and that cannot be explained by existing development theories. Underlying Gaza's peculiar form of underdevelopment is an Israeli policy that prioritizes the political-national realm over the economic. This has been expressed in Israel's desire to acquire land rather than exploit the economic potential of the people living on it. Israel's ideological goal of creating a strong Jewish state has always superceded any need or desire to generate profit through economic exploitation of the Palestinian population, although that has occurred. Israel has physically removed segments of the Palestinian population from the land and dispossessed others of their resources and power. Indeed, in the history of modern Palestine, Israel is the first occupying regime that has deliberately and forcibly dispossessed Palestinians of their land, water, and labor. Consequently, in its drive to acquire land, the Israeli government has refused Palestinians in the occupied territories many of the rights often available in other third world societies: political independence and self-determination, control over economic and institutional resources, cultural freedom, civil and human rights, and legal protection. As a result, Palestinians have been unable to create a viable economic base, even one that is distorted, which could support an independent state. Hence, existing development paradigms do not apply to the situation in the Gaza Strip because they see economic gain as the fundamental motivation of state behavior. In the case of Israel and Gaza, underdevelopment gives way to de-development, where economic potential is not only distorted but denied.

The Meaning of De-development

De-development not only distorts development but forestalls it entirely, by depriving or ridding the economy of its capacity and potential for rational structural transformation and preventing the emergence of any self-correcting measures. For example, conventional definitions of underdevelopment *allow*

for needed structural change within the weaker peripheral entity, although that change is disarticulated, oriented to, and shaped by the expansion of the dominant external economy to which it is subordinate. An excellent example is peripheral capitalism, which contributes directly to underdevelopment.

Peripheral capitalism is characterized by two key features: economic domination by the center and uneven levels of productivity between sectors. The former is seen in the structure of world trade and in the nature of international capital accumulation, in which the center shapes the periphery according to its own needs and controls peripheral economic production. The latter results from the dual existence of small, highly capitalized industrial sectors on the one hand, and large, backward, and productively inefficient agricultural sectors on the other. Agricultural production is oriented primarily toward export, not domestic consumption. Consequently, dependent economies seeking to expand must do so by dominating the economies of weaker neighbors.[20]

Given the structure of peripheral capitalism, one may conclude that underdevelopment is not manifested in particular levels of production per capita, but in certain structural features that distort the development process in the periphery without eliminating it. Thus, it is possible to sustain economic growth and underdevelopment at the same time. In this way, peripheral capitalism produces a condition of "dependent development" that is predicated on two critical factors. The first is the ability, albeit distorted, of the weaker, or peripheral, economy to industrialize and thereby accumulate capital. Capital accumulation can assume several forms, including large-scale investments in land, human resources, and physical equipment. This ability presupposes access to critical political, financial, and technological resources.

The second factor involves the formation of political and economic alliances among elites within and between the dependent and dominant economies and within the international financial community generally.[21] Thus, the disarticulation of economic activity in the weaker economy does not preclude the formation of internal capacity, or of those critical economic, political, social, institutional, and bureaucratic linkages needed to sustain a process of development, however skewed. To the contrary, the creation of economic capacity (i.e., the ability to accumulate capital) and the synthesis of economic relations within the periphery are crucial to the process of underdevelopment.

De-development, by contrast, is characterized by the negation of rational structural transformation, integration, and synthesis, where economic relations and linkage systems become, and then remain, unassembled (as opposed to disassembled as occurs in underdevelopment) and disparate, thereby obviating any organic, congruous, and logical arrangement of the economy or of its constituent parts. Unlike underdevelopment, some of whose features it possesses, de-development precludes, over the long term, the possibility of dependent development and its two primary features—the development of productive capacity, which would allow for capital accumulation (particularly in the modern industrial sector); and the formation of vital and sustainable political and eco-

nomic alliances between the dependent and dominant economies and the dependent economy and the international financial system generally.

During Israel's occupation, Gaza's economic de-development has been shaped and advanced by a range of policies, themselves a reflection of the ideological imperatives of the Zionist movement, which may be categorized as follows: expropriation and dispossession; integration and externalization; and deinstitutionalization. Although these categories are not mutually exclusive or inherently sequential, they are delineated here for analytical purposes. These policies, for example, have contributed to de-development by dispossessing Palestinians of critical economic resources or factors of production needed to create and sustain productive capacity; by creating extreme dependency on employment in Israel as critical source of GNP growth; and by restricting the kind of indigenous economic and institutional development that could lead to structural reform and capital accumulation in the industrial sector, in particular.

Policies of expropriation and dispossession are marked by the steady usurpation of economic resources, primarily land and water, and of the capacity (legal, economic, social, and administrative) needed to resist such usurpation.[22] Dispossession, however, is not limited to economic factors but includes aspects of Palestine's political, social, and cultural organization as well. The interrelationship between the economic and noneconomic aspects of dispossession is organic and indivisible, although the economic forms are the most clearly tangible. (Expropriation and dispossession in Gaza are discussed in chapter 7.)

The second category, integration and externalization, is distinguished by policies that promoted Gaza's structural dependence on sources of income generated outside its own economy: the reorientation of the labor force to labor-intensive work in Israel and the Arab states (also a form of economic dispossession); the occupational reorientation of the labor force away from indigenous agriculture and industry, sectors critical to the development of local productive capacity; the redirection of trade to Israel and the Arab states, increasing Gaza's dependence on Israel especially, for trade with the outside world; the increasing and heavy reliance of indigenous agriculture and industry on export trade for sectoral income and growth; the growing linkage between commercial production and external demands; and the extremely low levels of government investment in a productive structure that was weak and underdeveloped to begin with.

Through such policies, not only were local resources transferred away from Gaza's economy to Israel's, but local economic activity—employment, trade, personal income—became unlinked from market forces and increasingly dependent on and subordinated to demand conditions in the Israeli and, to a lesser degree, Arab economies. The primary and most damaging outcomes of economic integration and externalization, therefore, have been the attenuation and disablement of Gaza's internal productive base and diminution of productive capacity, characterized in part by the decline of the agricultural sector in terms of output value, employment, and productivity; a stagnant industrial sector; the expansion of services as the largest source of local employment; and a

hobbling of the economic and institutional infrastructure. (Evidence of integration and externalization is provided in chapter 8.)

Deinstitutionalization, which in certain respects can be understood as the logical consequence of dispossession and externalization, describes what in effect has amounted to an attack on institutional development in the Gaza Strip. Not only have Palestinian institutions themselves been harmed, but, more critically, so have their inter- and extra-institutional relationships. Moreover, the linkage system between the formal (governmental) and informal (nongovernmental) sectors, normally used to promote collaboration and coordination to implement development policy, has virtually been destroyed and replaced with a system of restrictions opposed to that very same goal. In this way, government policies have contributed to the debilitation of those institutions required for local development (e.g., financial, credit, and banking systems; local government and authority structures; educational [training, vocational and research centers] and health institutions).

Government policy has also attenuated and, in some instances, destroyed key economic and institutional linkages between governmental and nongovernmental sectors. Consequently, in the absence of major development planning by a national authority and the freezing of most development potential, "development," which in Gaza is often limited to services, has largely fallen to the initiatives of the informal sector and international agencies. Institutional successes, more often than not, occur at the level of the individual and isolated institution and are largely restricted to that institution. They rarely occur as a result of inter- (or intra-) institutional interactions. Thus, even the nongovernmental sector has been enfeebled as a provider of economic and social services.

Deinstitutionalization policies have confined indigenous structural reform, institutional development, and infrastructural growth within narrow structural parameters. One example is found in Palestinian industry where, for more than two decades, product lines have remained labor- rather than capital-intensive. Indeed, the impact of deinstitutionalization on indigenous economic capability and its contribution to the de-development process is strikingly illustrated in the maladministration and distortion of Arab and non-Arab development assistance in the Strip. (Deinstitutionalization is discussed in chapter 9.)

Policies that contribute to de-development include: low levels of government investment in social and economic infrastructure; the absence of a financial support structure for Palestinians, commonly available to their Israeli counterparts; prohibitions on a wide range of economic activities, such as union organizing, the creation of industrial zones, the establishment of factories, cooperatives, and other business enterprises; myriad restrictions on research and training; prohibitions on the development of agricultural, industrial, trade and other credit facilities and financial institutions in both the private and public sectors; the expropriation of land and water, coupled with prohibitions on land and water-use planning; restrictions on the development of public and private utilities and infrastructure; restrictions on foreign trade and the lack of protec-

tion from Israeli imports; the inability of Palestinians to determine trade regimes (e.g., tariffs, levies, import/export licensing); limitations on the process of industrial and commercial licensing, agricultural production planning (e.g., planting quotas, marketing, water distribution)[23]; and the lack of political, economic, and social linkages between Israeli and Palestinian groups, elite or otherwise, and between Palestinian and other foreign groups.

Within this scenario, basic economic development and even dependent economic development are suppressed. Thus, although it is possible to increase individual production and improve individual living standards, such indicators do not reflect the development of an indigenous economic base capable of sustained, diversified growth and development. Although a process of structural change was clearly evident after 1967, it was aberrant change that precluded the transformation of positive growth into long-term economic development. The very indicators Israelis have used to measure economic success in Gaza—increased per capita income, increased number of cars per home, increased number of workers in Israel—reveal the failure of real economic development. Furthermore, the singularity of Israeli policy in the Gaza Strip and West Bank has introduced an added, almost surreal and irrational dimension to the process of de-development that exceeds the "simple" distortion of structural change.

The absence of rational structural change and the unprecedented features of Israeli rule have had an exceptional impact on the Palestinian economy, especially in the Gaza Strip. This impact has been distinguished by extreme dependency on Israel, sectoral fragmentation, and internal erosion. This has not changed under partial autonomy. Thus, whereas the effect of underdevelopment is to reorder or recombine economic relations into a less meaningful, less integrated, and disfigured whole, the effect of de-development over the long term is to un-order, un-combine or scramble those relations so that no whole can, in effect, emerge. The de-developed economy is rendered weak, dependent, and underdeveloped; moreover, it soon becomes inanimate and phatic, robbed of dynamism and capacity. This comparison in no way is meant to suggest that underdevelopment is preferable to de-development; rather, it merely attempts to point out the narrow but significant difference between them. De-development and underdevelopment are not mutually exclusive processes—the former *presumes* the existence of the latter. However, it is quite possible to have underdevelopment without de-development.

The progressive dismemberment of the economic structure that distinguishes de-development began with the institutionalization of key Israeli policies in the first six years of the occupation. These policies not only defined the parameters of economic activity in the occupied territories but remained unchanged throughout the occupation. They are the subject of the next chapter.

Notes to Chapter 5:

1. See Geoffrey Barraclough, *An Introduction to Contemporary History* (Harmondsworth: Penguin Books, 1967) p. 154.

2. This conceptual framework is described in Ronald H. Chilcote, *Theories of Development and Underdevelopment* (Boulder, CO: Westview, 1984); and Anthony Brewer, *Marxist Theories of Imperialism: A Critical Survey*, Second Edition (London: Routledge, 1990).

3. See Peter Vandergeest and Frederick H. Buttel, "Marx, Weber, and Development Sociology: Beyond the Impasse," *World Development* 16, no.6 (1988): 687.

4. This discussion is not intended to be a survey of the literature nor an exhaustive review. Rather, it will address certain key points that illustrate some of the problems involved in studying change.

5. For purposes of this discussion, the Gaza Strip and West Bank are treated as one entity because the problems of Palestinian development generally apply to both. The specific features of the Gaza Strip will be analyzed in subsequent chapters.

6. For example, see Adel K. Samara, "The Political Economy of the West Bank 1967–1987: From Peripheralization to Development," in Khamsin, *Palestine: Profile of an Occupation* (London: Zed Books, 1989), pp. 7–31; Jamil Hilal, "Class Transformation in the West Bank and Gaza," *MERIP Reports* 53 (December 1976): 9–15; and Elia Zureik, "The Economics of Dispossession: The Palestinians," *Third World Quarterly* 5, no.4 (October 1983): 775–90.

7. Samara, pp. 7–31; and Yusif A. Sayigh, "Dispossession and Pauperisation: The Palestinian Economy Under Occupation," in Abed (ed.), pp. 259–85.

8. Typical of this view are Bregman, *The Economy Growth of the Administered Areas 1968–1973*; and Vivian A. Bull, *The West Bank: Is It Viable?* (Lexington, MA: Lexington Books, 1975).

9. Thomas S. Kuhn, *The Structure of Scientific Revolutions*, Second Edition (Chicago: University of Chicago Press, 1970); and Paul Rabinow, *Reflections on Fieldwork in Morocco* (Berkeley, CA: University of California Press, 1977).

10. David Apter, *Rethinking Development: Modernization, Dependency, and Postmodern Politics* (Beverly Hills, CA: Sage Publications, 1987).

11. See Charles Tilly, *Big Structures, Large Processes, Huge Comparisons* (New York: Russell Sage Foundation, 1984).

12. Yusif A. Sayigh, *Elusive Development: From Dependence to Self-Reliance in the Arab Region* (London: Routledge, 1991), p. 7.

13. These points are made in Sayigh, "Dispossession and Pauperisation," in Abed (ed.), pp. 259–85; and in "The Dependency Paradigm: Promise, Limitations and Qualifications," in Sayigh, pp. 40–89.

14. Sayigh, "Dispossession and Pauperisation," in Abed (ed.), pp. 259–85.

15. The author acknowledges the contribution of Dr. Elaine Hagopian to this section.

16. See Apter.

17. Apter, pp. 32–48.

18. Ibid., p. 46.

19. Hiltermann, *Behind The Intifada*, p. 14.

20. See Samir Amin, *Accumulation on a World Scale* (New York: Monthly Review Press, 1974); idem., *Unequal Development* (New York: Monthly Review Press, 1976); and Chilcote, pp. 63–64.

21. Sara Roy, "The Gaza Strip: A Case of Economic De-Development," *Journal of Palestine Studies* 17, no.1 (Autumn 1987): 57–58.

22. See, for example, Zureik, pp. 775–90.

23. See United Nations Conference On Trade And Development (UNCTAD), *Palestinian External Trade under Israeli Occupation* (New York: United Nations, 1989), p. 1.

6

The Policy Roots of De-development

The economic de-development of the Gaza Strip was neither planned nor accidental; rather, it was the outcome of official Israeli policies designed to secure military, political, and economic control over Gaza and the West Bank, and to protect Israel's national interests. These policies and their impact on Gaza's economy are the focus of this chapter. A discussion of Palestinian policies toward development, which (ironically) complemented those of Israel, concludes this chapter.

Chapter 5 argued that the policy basis of Arab de-development, the "land over people" imperative of Jewish settlement in Palestine, was not created or formalized when Israel gained control over the occupied territories, but under the British Mandate when relations between the Jewish and Arab communities took shape. This imperative more than anything else affirmed the primacy of the Jews' sovereign interests over all others and established the political-national realm as the one from which all other realms, including the economic, would emanate.

Within this framework, policies and policy themes emerged from the building of the Jewish National Home that would reemerge after 1967 and greatly affect Palestinian economic development. They included: the belief that the Jewish community was the only legitimate collective in the land of Palestine and that Jewish colonization was therefore in the best interests of all; the pursuit of sovereignty for Jews and autonomy for Arabs; the desire of Jewish officialdom to "Judaize" Arab Palestine; the settlement of Arab land by Jews;

the use of economic policy to influence or shape political behavior (i.e., economic appeasement); a total disinterest in and rejection of Arab economic development; the separate, as opposed to collaborative and integrative development of the Arab and Jewish sectors; the concomitant imposition of standards that measured progress in the Arab economic sector against the status quo before the arrival of the Jewish community; and the blindness and disinterest of the Jewish leadership to the long-term impact of their policies on economic (and political) conditions in the Arab community.

With the establishment of Israel in 1948 and the imposition of Israeli control over Gaza and the West Bank in 1967, the policy dynamics initiated under the Mandate and the ideological beliefs they reflected were given institutional and bureaucratic form in the occupied territories, backed by military force. The Israelis created mechanisms of control to translate the imperative of national sovereignty into practicable and implementable measures. Within this framework, the Gaza Strip and West Bank economies were subsumed to security imperatives, and the economic system became a critical component in Israel's larger system of control. This is not to say that the economic exploitation of the occupied territories was not an objective of Israeli policy; it was just not the *primary* objective. It was the ideological need, over the long-term, to insure Israeli control over the occupied areas that set the policy framework for the dedevelopment of the Palestinian economy. Nowhere was this more strikingly accomplished than in the Gaza Strip.

The Imperative of National Sovereignty and the Articulation of an Economic Strategy for the Gaza Strip and West Bank

Among the greatest perceived threats to Israeli sovereignty and its expansion has been and continues to be the establishment of a Palestinian state in the Gaza Strip and West Bank. Israelis have passionately debated the political and national security risks attending such a state since 1967. Any national entity other than Israel is perceived to be illegitimate. Therefore, any claims to such an entity are, by definition, subversive. Although this view was controversial among Israelis ideologically, it served as an unwritten guideline for economic decision makers.[1]

Preventing the emergence of a sovereign Palestine alongside the state of Israel has been a critical focal point of official policy and one reason for Israel's obsession with maintaining control of the occupied territories. However, to deny a people their nationhood and a nation its sovereignty requires much more than the imposition of military power and ideological will. For Israel, it also required the dismantling of those indigenous forces and the relations between them whose growth and development could comprise an infrastructural base—economic, political, social, cultural, physical, and administrative—but more importantly, perpetuate the kind of collective national consciousness needed to sustain that base over time. To preclude the establishment of a Palestinian state, the government had to eliminate any foundation on which it could be built.

Economic policy in the occupied territories became a critical component of this policy. It was characterized by the deliberate rejection of development as a legitimate and rational goal.[2] Since 1967, there has never been an explicit commitment on the part of any Israeli government to advancing the economic interests of the Palestinian population through planned development either in the short or long term. Nor has any Israeli government ever formulated a conscious policy defining the exact relationship between Israel and the occupied territories. (Arguably, the Gaza–Jericho Agreement is an excellent illustration of this.)[3] Development was equated with building the economic infrastructure for a state. In this way, Israel has always seen Palestinian economic development as a zero-sum game. However, interviews conducted with Israeli government officials over several years revealed that Israeli rejection of Palestinian economic development was rooted, not in the fear of economic competition or of a strengthened Palestinian economy per se—which, as dependency theory has shown, a dominant power can turn to its advantage—but in the emergence of sociopsy-chological factors, notably personal and community empowerment, social cohesion, and popular control.

Hence, it was not the restructuring of the economy or the emergence of a definable physical infrastructure that Israelis most feared—a common misconception—but the formation, unification, and consolidation of those relationships required for state-building at its most basic level. The government understood that although Palestinians lacked any national, political, or economic authority, they did possess institutions that enabled them to maintain a sense of national identity, social organization, and internal cohesion. It was at this level of inter- and intrasectoral relations and institutional linkages that official policies, notably in the economic and social realm, would do the profound damage that resulted in de-development.

Having excised "development" from its conceptual and strategic core, Israel's economic policy in the occupied territories was fashioned to achieve two seemingly contradictory ends: improving the standard of living by increasing social and economic *services*, which was attained without any major structural economic change[4]; and progressively weakening the indigenous economic base. Whereas a better living standard was meant to diminish nationalist aspirations and contain violence and popular resentment through a policy of economic appeasement (which also obviated the need for a collaborator class in the Gaza Strip and West Bank that might fulfill the same function), the weakening of the economic base was meant to create ties of dependence that would protect Israel's economic interests by eliminating any threat of competition with, or cost to, the Israeli economy and give Israel complete control over the territories' productive resources and their economic growth potential.

These policy objectives, implemented through a complementary (and discriminatory) system of integration and segregation produced a dual economic outcome, which Meron Benvenisti has aptly characterized as individual prosperity and communal stagnation.[5] Thus, although the integration of Arab labor

into the Israeli market economy provided Palestinians with higher incomes and living standards borne of a new consumerist culture, the cost of this inclusion to the Palestinian economy was continued underdevelopment, because Arab employment was geared toward Israeli, not Arab production. Moreover, the decision to seek employment in Israel was not a function of a society experiencing typical patterns associated with industrialization and modernization, in which labor gradually shifts from agricultural to nonagricultural activities, resulting in changes in labor's spatial location and occupational status. Rather, the decision to seek employment in Israel was a reflection of the absence of comparable domestic economic options. As a result, Palestinians were able to generate capital but were unable to accumulate or invest it either in their own weakened economy, which was lacking in viable opportunities, or in Israel's, where such investment by Arabs was strictly prohibited.

The combination of personal prosperity and collective underdevelopment is not as dichotomous as it first appears, particularly in light of official attempts to secure the political status quo through economic means. In fact, given the state's political–national imperative, the prosperity–stagnation outcome came to represent what was maximally allowable within existing constraints as well as what was minimally desirable. Moreover, the dichotomy as framed sets the conceptual and practical stage for de-development, although it fails to account for it specifically.

That prosperity is attainable as underdevelopment proceeds is nothing new; the third world is replete with such contradictions. What is less apparent, however, but pivotal to understanding this particular economic biformity, is the actual complementarity and congruity between its two parts. In the Gaza Strip especially, not only have prosperity and de-development existed side by side, but the systematic dismantling of the economic structure that distinguishes the de-development process has in fact been mediated through the attainment of limited individual prosperity and the horizontal growth on which it was based. This reality has done much to enervate indigenous productive capacity, for which Palestinians and their host of funders must also assume their share of responsibility, and has contributed greatly to the perpetuation in the West of the illusion that Israel's occupation has been benign.

Setting the Structural Stage for De-development: The Political Economy of Pacification, Normalization, and Integration, 1967–73

The first six years of occupation were critical in shaping the structural framework for Israeli policy, in defining its point of departure as well as its point of termination. This period is critical because the policies shaped then have not changed, not even with the implementation of limited self-rule. Within eighteen months of the war, the government achieved full control over all aspects of Palestinian life, the institutionalization and bureaucratization of the new military administration, the physical linking of the Gaza Strip to Israel

through the rapid extension of Israeli infrastructural services and networks, notably electricity and water, and the reactivation of prewar economic life by providing public services and alleviating unemployment.

Official policy during this period was characterized by a seesaw between conviction and ambivalence that was related to political uncertainty about the fate of the occupied territories. On one hand, the government was committed to keeping the Gaza Strip and West Bank for the long term.[6] On the other hand, official policy equivocated over the political means to achieve that end—through economic integration with Israel or economic separation. This vascillation completely dissipated after the October 1973 war, when policy goals crystallized.

In the immediate postwar period, the government's commitment to the new political status quo produced what Nimrod Rafaeli, an Israeli policy analyst, has termed a three-pronged policy of pacification, normalization, and integration.[7]

Policies of Pacification

The Israeli government first adopted a pacification policy to secure control over the occupied territories, by bringing a "conquered people from a state of active hostility to a situation of passive obedience."[8] This policy had several objectives:

> to obtain control quickly over the conquered area; to rid the areas of pockets of resistance; to prevent revolt, disturbances, terrorism and sabotage; to bring civilians under control; and to establish peaceful conditions needed by other authorities (such as police, health, education etc.).[9]

In the Gaza Strip, pacification was based not only on the elimination of armed resistance, but also on the alteration of the demographic balance, because it was believed that fewer people in Gaza decreased the probability of turmoil. Between June 1967 and December 1968, for example, Israel evicted approximately 75,000 residents of the Strip, whom Golda Meir referred to as a "fifth column,"[10] lowering Gaza's postwar population of 400,000 (of which approximately 260,000 were refugees) to 325,900.[11] The authorities also prevented the return of between 25,000–50,000 Gazan residents who were unlucky enough to be outside the territory when the war broke out. Thus, between June 1967 and December 1968, using conservative estimates, the Gaza Strip lost 25 percent of its resident prewar population. The June 1967 population was only regained in December 1976.[12]

In October 1969, the government further disclosed a policy whereby Gaza Strip refugees were "encouraged to move to refugee camps in the West Bank which were close to available jobs in Israel and the West Bank itself...."[13] Officially, this policy was intended to alleviate the labor shortage in Israel and the West Bank (especially in the agricultural sector) with excess labor from the Gaza Strip, where unemployment was a severe problem. Unofficially, it was designed to decrease Gaza's population.

Policies of Normalization

The second component of Israeli policy, normalization, aimed to reactivate economic life as soon as possible. The third, integration, was the method by which to do so. As such, normalization and integration established the structural framework for Israel's economic policy in the occupied territories, and the two are difficult to separate analytically.

Political in motivation but economic in form, normalization was primarily a policy of control, not development. The first defense ministry coordinator of government operations in the territories, Shlomo Gazit, explained:

> While unemployment and an atmosphere of crisis encourage [the population] to join sabotage activities, full employment and a flourishing economy discourage such a trend....To work is to occupy oneself in such a way that little time is left for "extra activities" ...and then there is the practical consideration of whether it's worth risking the job and the income.[14]

As a policy of control, normalization operated according to two basic assumptions. The first appeared in *BaMahane*, a publication of the Israel Defense Forces: "What is permitted to and prohibited for the Arabs in the administered areas is not determined by the accepted criteria of past military occupations. It is determined by a single criterion, namely, whatever is not harmful to Israel, is permitted."[15] Second, as a form of control, the restoration of economic order or "business as usual"[16] required immediate and tangible solutions to the most pressing economic problems in a very hostile postwar environment. Toward that end, the military authorities articulated three principles that they hoped would guide their overall policy:

> *non-presence* (minimizing visible signs of the Israeli authorities to lessen friction and conflict with the population); *non-interference* (placing responsibility for economic and administrative activities in Arab hands); and *open bridges* (renewing personal and economic contacts between the population and the Arab world).[17]

The nonpresence principle dictated the transfer of many administrative and social welfare responsibilities to local Palestinian institutions so that Israeli rule could be felt but not seen. The noninterference principle required that local authorities be enlisted in the implementation of Israeli policies. The open bridges principle renewed contact between the occupied territories and the Arab world, relieving economic pressure on Israel while providing the Jewish state with an indirect channel to a vast new market.

Perhaps the most pressing postwar problem the Israeli administration faced in the Gaza Strip was the creation of job opportunities, especially for the refugee community, the locus of resistance to the occupation. Under Egyptian rule, most able-bodied Gazans had held some position.[18] Mordechai Gur, the first Israeli military governor of the Gaza Strip, observed:

> The Egyptians disguised the fact that there weren't enough jobs by em-

> ploying many men to do one task. I remember that 80 men were doing the work of seven in the customs office....As I saw it, before we [the Israeli government] occupied the Strip there was no real unemployment...we owed it to them to create or find employment.[19]

The June 1967 war completely dislocated Gaza's economy. The war severed all the economic links between the Gaza Strip and Egypt that had evolved over two decades. Commercial revenue from Egyptian tourism and Gaza's lucrative smuggling trade ended overnight. Traditional export markets were cut off and all public services were disrupted. The departures of the Egyptian army, the PLA, and the UN forces (who were not invited back by the Israeli government) eliminated a critical source of employment and income for local refugees. The many administrative jobs and the vast public works program created by the Egyptian authorities evaporated. In the immediate postwar period, the number of unemployed rose by at least 20,000 above its prewar level, and unemployment remained as high as 17 percent in 1968.[20]

Israel had many alternatives for creating jobs, including through indigenous economic reform. However, the difficulties it faced in providing employment were political, not economic. The structural transformation of Gaza's economy was out of the question. According to one government official: "Israel's present policy is *to change matters as little as possible* in the areas until a peace formula is worked out. On the other hand, time is passing, and human needs do not wait for peace settlements."[21]

In the absence of a planned policy and the will to instigate any real change, creation of jobs was limited and haphazard at first. Initial efforts at job creation in Gaza focused inward, because movement into Israel was prohibited during the first few months after the war.[22] Some 5,000 people were soon employed by the military government and by local municipalities in existing civil service positions.[23] By August 1967, the labor ministry had opened an employment office in Gaza and launched a range of public works projects that employed several thousand people in road and building repair, afforestation, and urban sanitation.[24] The government offered small-scale loans for expansion of local businesses and farms, and municipalities received additional financial support.

Given Israel's national (security)–political priorities, government policy on the provision of domestic employment between 1968 and 1973, admittedly its most "liberal" period, not only established the limits on structural reform in the local economy but, in setting those limits, did little if anything to mitigate and remove the key structural constraints on economic reform in Gaza: a weak agricultural sector incapable of absorbing excess labor, a backward and largely moribund industrial sector, a weak physical and economic infrastructure preventing the accommodation of surplus labor, and a majority refugee population that was underutilized and disenfranchised. As such, the government initiated processes in 1967 that remained fundamentally unchanged in 1987, and that Meron Benvenisti has argued "underline[d] more than anything else, the perva-

siveness of the momentum pushing inexorably toward full absorption of the territories into the Israeli system."[25]

Employment in the Gaza Strip was to be encouraged by expanding relief works and capital investment in local industry and agriculture. The former was solely an income-generating activity, bounded in scope. The latter introduced limited structural change, but its effect over time was to retard, not promote, the rational transformation of the indigenous economic structure, since the sources of domestic employment were increasingly linked to Israel's production and economic interests, not Gaza's. The resulting structural pattern tied domestic economic growth and individual prosperity to external sources of income—at great cost to Gaza's economic development.

As part of its employment generation policy, Israel's Cabinet Committee on the Territories decided to make an initial investment of 7.5 million Israeli pounds (£I) in Gaza Strip development.[26] Palestinian entrepreneurs were eligible to receive working capital advances and low-interest loans equal to the amount of their own investment at 6 percent interest, whereas Israeli investors were eligible for loans at 9 percent.[27] Foreign entrepreneurs also received special terms.[28]

Israeli and foreign capital were critical for building an industrial infrastructure in the Gaza Strip, but the territory saw but a minor flow of capital services from Israel. The political and security risks of operating a business in the Strip were certainly a disincentive, but so were government policies that offered outside investors far more attractive terms for investing in development areas in Israel than in the territories. Established businesses in the occupied territories, for example, were not eligible for government grants as were enterprises located across the green line, nor was Israel's Law for the Encouragement of Capital Investments extended to areas under Israeli control. A Jordanian law promoting similar services was suspended.

Of the sixty-five Israeli and foreign enterprises that were established in the occupied territories between 1968 and 1973, only twelve were located in the Gaza Strip in an area known as the Erez industrial zone; all were funded entirely by Israeli capital. Though initially opened to local entrepreneurs, the £I 2.5 million zone was an Israeli concern with a preponderance of Israeli labor from its inception. Its primary commercial linkages were with Israel, not Gaza.[29] Some Erez firms employed Gazans, but not nearly to the degree envisioned by the Cabinet Committee, which had intended to provide 6,000 jobs for local residents.[30] The flow of labor services from the Gaza Strip and West Bank to Israel lessened the need for Israel to export capital services to the occupied territories to take advantage of lower wages.

During this same period, however, local investment did grow, partly due to a government decision to repatriate "to the West Bank and the Gaza Strip persons of means who have been out of the territories since before the Six Day War."[31] Approximately 100 new factories were established and several thousand workers employed. In 1968–69, the government approved 179 applica-

tions for working capital amounting to £I 1.1 million.[32] The expansion of local industry resulted from two factors: a growing market for Gazan products in Israel's booming economy, and the expansion of subcontracting arrangements between Israeli contractors and Gazan firms, itself a response to weak domestic opportunities. As a result, the industrial sector experienced impressive annual growth rates of almost 30 percent between 1967 and 1973. These factors, however, not only linked the growth of Gaza's industrial sector primarily to demand conditions and to specific sectoral deficiencies in an external economy, but more importantly, did so without promoting any change in the nature of industrial organization, the character of industrial output, or the methods of industrial production, all of which have remained traditional and labor intensive. A 1971 Bank of Israel report noted: "Industry is adjusting to Israeli demand, mainly by taking subcontracting jobs for Israeli plants and by developing labor-intensive branches such as furniture, sewing, and building materials."[33]

Subcontracting, for example, was entirely dependent on cheap labor, mostly female, and low wages. It involved labor-intensive steps in an industrial process that originated and ended in Israel. The six vocational training centers established in Gaza between 1967 and 1969 offered courses to the unskilled in areas required by the Israeli economy: sewing, shoemaking, bookkeeping, carpentry, building and automobile mechanics, welding, scaffolding, and ironwork.[34] By 1973, more than 15,000 graduates of vocational schools in the occupied territories were working in Israel and within their own economy.[35]

In the agricultural sector, the major change the government introduced called for employment through the development of agricultural exports such as industrial crops and vegetables, which do not compete with Israeli agriculture. Israel quickly dominated Gaza's agricultural exports.[36] Toward this end, the Ministry of Agriculture focused on the introduction of new and more efficient techniques such as drip irrigation, new crops and fertilizers, and mechanization. In Gaza, two mechanized packing houses were established between 1967 and 1969 for efficient citrus export. The government also provided loans to citrus growers and exporters.[37] However, subsidies extended to Israeli dairy and poultry producers were not given to their Palestinian counterparts, forcing many Palestinians out of business.[38] Labor-intensive crops for export and for Israeli industry were also introduced and expanded. Contacts between Israeli entrepreneurs and Gazan farmers focused on agricultural processing and included such labor-intensive activities as almond and grapefruit peeling, and the preparation of peanuts for seeding.[39]

The focus on generating employment within Gaza shifted increasingly to Israel, where manpower shortages were emerging. By early 1968, some Gazans were allowed to work in Israel, despite the ban on border crossing.[40] By that summer, the Israeli economy had recovered and certain sectors (such as construction) were experiencing manpower shortages. Increasingly, Israeli employers illegally hired unemployed labor from the Gaza Strip and West Bank, who were more than eager to earn the much higher wages offered in Israel. The

illegal use of unorganized Palestinian labor posed clear problems for the government. To establish control over the employment process, Israel reversed its decision banning Palestinian labor from the occupied territories. By the end of 1968, five labor exchanges had been set up in the Gaza Strip and seven in the West Bank. The needs of the Israeli economy at that juncture dictated the abandonment of the Zionist notion of Jewish labor so prevalent during the Mandate period. The labor exchanges imposed strict quotas on the number of Arab workers entering Israel, and the flow of workers was based on skills and market needs. The government restricted the movement of Gazans in particular, which encouraged them to bypass illegally the labor exchanges,[41] a pattern that has persisted. The Israeli government did have two qualifications, however:

> ...area workers could be employed anywhere in Israel provided that they first received a security clearance from the Military Government and a certificate from a Labour Exchange guaranteeing that their employment would not displace Israeli [i.e., Jewish] workers.[42]

The decision to open the Israeli market to Palestinian labor from the occupied territories dramatically affected employment patterns in the Gaza Strip and West Bank.[43] Between September 1968 and July 1969, for example, the number of workers entering Israel increased from 5,800 to 18,000. Among Gazans alone, the number of laborers crossing into Israel rose from 800 (1.7 percent of the total labor force) in 1968[44] to 5,900 (10.1 percent) in 1970.[45]

More important, wage–labor opportunities across the green line generated the material improvements so critical to normalization and to dependence on Israel. By 1970, for example, income from work in Israel accounted for 15 percent of the territories' total national product compared with only 3 percent in 1968.[46] By 1972, some Israelis were referring to the enhancement of living standards as "the miracle of Gaza."[47] In his memoirs, Dayan observed:

> In the refugee camps in the Gaza Strip, there was a veritable economic revolution. Refugees who for nineteen years had spent their time sitting outside their huts playing backgammon and talking politics, and seldom shedding their pajamas, began going to work... now they could...[bring] home hundreds of Israeli pounds a week in wages...[and] thanks to the high wages in Israel, they were able to improve not only their standard of living but also their way of life. For the first time, they could acquire new clothes, furniture, and kitchen appliances....[48]

Given the rapidly emerging trends in the employment of "area" labor, Israel's Cabinet Committee on the Territories convened in July 1969 and adopted a series of resolutions that defined the problem and some possible solutions. The resolutions were guided by three principles:

> a) The Israeli Administration is the only form of government in the territories with all that this implies;
> b) A reasonable standard of living must be reached by the population of the territories, a standard which must definitely not drop below the pre-war

> level. A reasonable standard of living and full employment will have a moderating effect on the population and will counter hostile incitement and influence; and
>
> c) The government therefore considers it has an obligation to provide work for the unemployed in the territories, without differentiating between refugee and non-refugee.[49]

The problem, as the government saw it, was how to bridge the gap between the "basic desire to find a solution to the matter through increasing natural [rather than relief] employment in the economies of the territories themselves, and the provision of an immediate solution for the unemployed."[50] What emerged was a partial and short-term policy that called for continued employment in Israel, on one hand, and enhanced domestic employment opportunities on the other.

General Gazit explained the government's reactive, nonplanned approach: "In some cases, the realities dictated the resolutions [solutions]. The obvious example was that of Arab labour. It started slowly in a non-organized way....Only when the number grew to thousands was the matter discussed and it was decided to institutionalize the work."[51] Employment in Israel proved to be the immediate solution. The trend toward employment in Israel gained momentum in 1972 when, confronted by King Hussein's plan for a federated state between Jordan, the West Bank and the Gaza Strip, the Israeli government lifted all restrictions on freedom of movement from Gaza to Israel, thereby rejecting the Jordanian initiative.[52] By 1973, over 60,000 workers from the Gaza Strip and West Bank commuted to Israel daily. In the quest for control and in the absence of planning, immediate solutions, with their clear political and economic benefits, became long-term policies.

Another key component of Israel's normalization policy was the resumption of trade between the occupied territories and the Arab world. Incorporated under the rubric "open bridges," this policy had several objectives. The authorities believed that if they were allowed contact with Jordan, Palestinians would not feel isolated politically and any "latent tendency among [them] for self-determination"[53] would be effectively discouraged. Moshe Dayan also argued that continued contact between Palestinians and the Arab world would prevent the "Israelization [of the West Bank and Gaza] from the cultural and social points of view,"[54] and keep the Jewish and Arab populations separate.

However, the primary factor in the open bridges policy was economic. By creating immediate trading outlets for the vast surpluses of (agricultural) goods that had accumulated after the war, the authorities not only provided "a valve on a steam boiler," but eliminated the possibility that Palestinian exports would enter the Israeli market in huge quantities, creating a glut in products and a fall in prices. Indeed, Moshe Dayan argued that without the open bridges policy, any loss accruing to the West Bank and Gaza from the severance of trade relations with Jordan (which he estimated between £I 70–£I 90 million annually) would have to be made up by Israel.[55]

In the Gaza Strip, the open bridges policy provided a solution to an urgent economic problem: citrus marketing. Soon after the war, Israel closed all Western European markets to Gazan exporters in order to prevent competition. However, indirect export to Europe through Israel's citrus marketing board was permitted through 1974, when the government abruptly terminated all such arrangements. Arab markets opened up in and through Jordan, markets that proved increasingly valuable to Gaza and were largely unavailable to Israel. Direct marketing to Eastern Europe also continued. Marketing between the Gaza Strip and West Bank was established for the first time as well. Between 1968 and 1970, the value of exports from the Gaza Strip more than doubled as a result of a rapidly growing trade with Israel and Jordan.

The open bridges policy did much more than enable control over Palestinian export markets. More importantly, it helped transform the occupied territories into Israel's second largest export market (after the United States). Although Israel has claimed to be in a common market relationship with the occupied territories, it has long imposed quotas on Palestinian exports to Israel, whereas Palestinians have been required to pay full tariffs on imports from Israel. Perhaps most significant for Palestinian trade is that, despite restrictions on what Palestinians could export to Israel, Israelis have had total freedom in exporting whatever they chose to the Gaza Strip and West Bank. The restructuring of the territories' terms of trade in this way imposed what was in effect a one-way trade structure that turned the completely unprotected Palestinian market, especially in Gaza, into a virtual dumping ground for subsidized Israeli goods. This trade asymmetry was another major factor restricting indigenous economic development over time.

Government budgets for 1968 and 1969 also reveal the lack of official commitment to economic development in Gaza, a budgetary pattern that has persisted throughout the occupation. Economic targets, a category defined in official government budgets for the Gaza Strip, received only 14.7 percent and 19.7 percent of total expenditure in 1968 and 1969, respectively. Included in this category were traffic and communications projects, which left a small percentage for work in agriculture, industry, and related sectors. The overwhelming majority of funds were allocated to social services and administrative costs.[56]

In 1973 the government produced the "Galili Document," in which it promised to invest £I 1,250 million over five years in development projects in the occupied areas "but with the proviso that such a written promise of future policy did not necessarily mean actual performance."[57] Following the political shock of the October 1973 war, the Israeli economy fell into recession, and the Galili Document was set aside indefinitely with little if any money invested in Gaza and the West Bank. Between 1973 and 1987, therefore, official policy on economic development in the Gaza Strip and West Bank remained the same as in 1969: employment in Israel and limited investment in the territories.

Hence, the employment of Arab labor in Israel and the externalization of Gaza's domestic economy provided the immediate tactical solutions to internal

tensions the government was seeking—per capita GNP and private consumption rose immediately.[58] Moreover, they made it possible to tie long-term economic activity in Gaza directly to conditions and interests in Israel, rather than to indigenous structural reform and sustainable economic development. Indeed, after 1973, when this approach solidified and the new structural patterns stabilized, the limited prosperity that did accrue to the Gaza Strip became predicated upon the underdevelopment of its own economy. Thus, what began as a policy of unplanned and short-range control quietly evolved into a deliberate strategy for defining economic relations across the green line.[59]

Policies of Integration

The noncommittal and ad hoc nature of early government policies in the Gaza Strip and West Bank were shaped by concerns that were primarily political. These concerns were articulated in a prolonged public debate within the ruling Labor party over the political future of the occupied territories and Israel's imminent relationship with them. The debate centered around whether the economies of the Gaza Strip and West Bank should be economically integrated into that of Israel. Moshe Dayan, then minister of defense, represented a view that favored integration; Pinhas Sapir, secretary-general of the newly amalgamated Labor party, represented a view that did not. Dayan maintained that any boundary dividing the Israeli economy from that of the occupied territories should be functional, not territorial. The movement of labor and capital should be free (i.e., labor and capital markets should be integrated) and unrestricted by political geography. Sapir rejected as ludicrous any notion of functionalism. He argued that the free flow of Palestinian labor into Israel was "a powder keg under our own society" that would ultimately force a choice on the state that was too painful to contemplate. The free flow of capital into the occupied territories would draw needed funds away from Israel's own development priorities. Thus, Sapir sought "to keep Israel Israeli and to keep the administered territories Arab."[60] Any interaction between them should consist of bringing work to Arabs and not the reverse. In certain exceptional situations, however, labor could be allowed to cross into Israel but never as a permanent reorganization of the Israeli economy.[61] Histadrut Secretary-General Yitzchak Ben-Aharon feared integration as a threat to the values of Labor Zionism, which "never assumed the possibility that the Jewish people in their own land would become a nation ruling over other nations,"[62] thereby changing the important historical role of the Jewish proletariat.[63]

Dayan's view became the dominant policy. With it, the structural foundations for "integration cum segregation" were laid. Dayan was always careful to distinguish between integration (*shilluv*) and fusion (*mizzug*). Although his position was criticized as a form of "creeping annexation," he, like Sapir, did not seek any form of national integration whereby Arabs from the occupied territories would become Israeli citizens or live in Israel. Economic integration was not to be accompanied by the extension of political rights but by de facto politi-

cal annexation. However, unlike Sapir, Dayan sought to maintain the political status quo and preclude any possibility of changing it. He sought a *modus vivendi* for mediating Israeli rule that did not rely on the creation of a comprador class, although certain attempts were made to create a local base of support inside the occupied territories.[64] Dayan aimed to establish "patterns of life" in the occupied territories "as though peace had already been achieved."[65] He argued that the Israeli government should define its role in the West Bank and Gaza as that of an enduring government, "to plan and implement whatever can be done without leaving options open for the day of peace, which may be far away."[66] Economic integration served these objectives.

In 1974, a Rand Corporation study concluded:

> Dayan seems to be aiming at an arrangement in which the issue of territorial sovereignty will be submerged in the welter of economic and personal ties that will have been created in the area....In this fluid creation, in the process of integration, or what the ECONOMIST has called "osmosis," particular boundaries will assume secondary significance.[67]

The aim may not have been to make the annexation of the Gaza Strip and the West Bank easier, but it was meant to make their separation from Israel harder. Speaking to town leaders of the Gaza Strip, Dayan said, "If it be necessary to pave the roads, expand health and educational services, and install electricity and water services, we will do all of this. And we will not be inhibited from investing the funds needed in the long run by any sense of temporariness."[68]

At the policy level, the battle over economic integration appeared quite contentious; at the practical level, however, the war had already been fought and won. The rapidly growing dependence of Palestinian labor on the Israeli market and Israel's domination of the territories' terms of trade were but two examples of how structural integration was proceeding. However, other illustrations of the integrative process depict how, from the outset, the absorption of the territories into Israel was planned and deliberate.

In the Strip, one striking example was the linkage of the main towns (and eventually, the entire territory) to the Israeli national electrical grid less than three years after the war.[69] In December 1969, Gaza City was linked up, followed by Khan Younis and Deir el-Balah in May 1970. In a meeting with General Dayan, local mayors, led by Ragheb el-Alami and other notables, protested the linkage "as the thin end of the wedge of Israeli annexation,"[70] and requested immediate disconnection. Dayan rejected their request, arguing that the linkage was necessary for several reasons: to facilitate security patrols, to provide less expensive electricity, and to supply areas in need. There is no doubt that the more efficient Israeli grid allowed greater economies of scale and enabled many more homes to be supplied—24,000 in Gaza City alone compared with 5,000 before the war.[71] However, by tying the Strip to the Israeli power supply, Israel assumed control over a resource that would have been an important source of revenue for the local government and, more critically, that was vital to the de-

velopment of an economic and industrial infrastructure in the Gaza Strip.

Integration was primarily spurred by policies that affected the use of Gaza's water and land. Immediately after the war, the Israeli government assumed control and integrated the water supply of the occupied territories into the Israeli national water network. Israel exploits almost all of its own water potential; the occupation of the Gaza Strip and West Bank gave Israel access to a supplemental and critically needed source of water, portions of which have been redirected to Israeli use. Given the organic and singular importance of water for human survival and economic growth, Israel's control and subsequent exploitation of Gaza's limited water supply was essential to integration for two reasons: (1) it restricted the development of an independent economic sector, insuring Israeli dominance and increasing Palestinian economic dependence on Israel; and (2) it facilitated the emergence and growth of an Israeli presence within the occupied territories that would similarly thwart if not preclude any attempt at political separation. This is further explained in the next chapter.

Control of land, which is intimately connected to that of water, has remained an issue of singular and almost primordial discord between Jews and Arabs. From the beginning, the government made its intentions clear. On 20 May 1969, Deputy Prime Minister Yigal Allon stated that "our weapon for the formation of borders is the weapon of pioneering settlement [as it was] during all the years of the British Mandate....Nothing has changed in respect to the national objective and the manner in which to ensure Jewish presence."[72] According to Dayan, secure borders without peace were preferable to insecure borders with peace, and settlements were to be pursued even if this "did not bring peace closer."[73] These sentiments reflected the prevailing view within the government, although differences of opinion did emerge over whether settlements should be temporary or permanent.

The occupation of the Gaza Strip and West Bank presented Israel with another political imperative as well: to fulfill historic and religious claims to portions of the occupied territories especially in the West Bank.[74] The Gaza Strip, however, did not possess any real historic or religious significance for Israel. Nor did it hold the same degree of strategic importance, although such arguments were sometimes invoked for its retention. The presence of so large and hostile a refugee community, furthermore, was an admitted security problem. Yet the Gaza Strip remained the focus of considerable government attention when it came to land and civilian settlement. Officials from the centrist foreign minister, Abba Eban, to the right-wing minister without portfolio, Israel Galili, argued that the Gaza Strip must never be separated from Israel. Toward that end, the government had instructed Israeli envoys to "act with a view to ensuring that Gaza be an indivisible part of the State of Israel,"[75] a policy that enjoyed a consensus of support in the coalition as well as the opposition. Galili went so far as to state that "even if peace is achieved, the Israel government will not allow Gaza's status to be open to question."[76]

As in the West Bank, the reasons for hastening settlement and land expro-

priation in the Gaza Strip were largely ideological and political; in Gaza, however, the absence of other plausible explanations made such motivations more obvious. Galili, for one, was quite explicit: "one of the main reasons for the Government's decision to foster settlement in the Gaza Strip was to bring home to inhabitants there that Israel would not leave the area as it did in 1957 at the end of the Sinai campaign."[77]

At the same time, the government was also careful not to demand the legal integration of the Gaza and the other occupied territories (except East Jerusalem), because to do so would have meant assuming the burdens as well as the benefits of integration and extending all the privileges and rights of Israeli citizenship to Palestinian inhabitants, something that was not in Israel's interest to do, especially in the political and economic realms. Hence, there is no paradox in that although the fundamental purpose of Jewish civilian settlement is to "achieve the incorporation [of the West Bank and Gaza Strip] into the [Israeli] national system,"[78] Israeli planning in the occupied territories is based on the complete spatial separation of the Arab and Jewish populations.

Palestinian Policy Roots

To varying degrees, Israeli economic policy in the Gaza Strip and West Bank was complemented by Palestinian development policies. These policies assumed that economic development was not attainable (nor desirable) under occupation and therefore should not be pursued. By refusing to challenge Israeli policies, this static approach to economic change fuelled the de-development process.

Through the late 1970s, the PLO articulated a political–economic conceptual framework that defined the character as well as the scope of economic activity in the occupied territories and secured PLO influence there. This paradigm expressed the shift in political orientation of the Palestinian nationalist movement from liberation (i.e., the creation of a democratic secular state in all of Palestine), which had been popular before the mid-1970s, to sovereignty (i.e., statehood in the West Bank and Gaza Strip only). Compelled by the Palestinians' failure to fulfill their political and revolutionary objectives in Jordan in 1970, in Palestine during the 1973 October war, or in Lebanon after 1975, this shift underscored the political and strategic significance of the occupied territories, particularly because nowhere else in the Arab world did the dispersed Palestinian leadership have such a solid base. It now sought to consolidate that base.

Consequently, economic activity in the occupied territories was defined as a form of political resistance whose objective was to strengthen the ties of the Palestinian people to their land. Known as *sumud*, or steadfastness, this survivalist strategy used economic assistance as a form of cultural insurance and was informed by the need to fight the occupation not develop society. Its primary aims were to facilitate daily life and ensure the continued presence of

the Palestinian people in their homeland. Funds from the PLO, a variety of Arab regimes, and diaspora Palestinians were channelled through the Jordanian–Palestinian Joint Committee for the Support of the Steadfastness of the Palestinian People in the Occupied Homeland (Joint Committee) established at the 1978 Arab Summit in Baghdad for the purpose of supporting Palestinian steadfastness. Between 1979 and 1986, committee funds were used to build educational, health, and social service institutions, to support existing institutions (including municipalities), and to build housing. These monies were also used to cement critical political alliances in the territories that would insure PLO control and influence. Economic activity, therefore, was directed toward maintaining, not transforming, economic conditions. Palestinians were to be helped, not empowered. This conservative strategy (ironically similar to that of Israel) was dependent on external sources of finance and support, and encouraged a patronage system that tended to support PLO centrists and their traditional allies in the West Bank and Gaza Strip. Not surprisingly, *sumud* engendered a great deal of criticism, particularly from Palestinians living in the territories. They faulted *sumud* for promoting Palestinian passivity and dependence and weakening the capacity to resist political normalization and initiate independent economic change. They also complained that *sumud* generated corruption, as money was often used to purchase political influence outright.

In 1981, a group of Palestinian academics and professionals from the occupied territories held a conference in the West Bank to challenge the *sumud* approach. The meeting was also committed to finding a new development strategy that would secure an acceptable standard of living and make Palestinians active participants (and not merely recipients) in the process of resisting the negative effects of Israeli occupation. The urgent need for change among West Bankers and Gazans was also motivated by the continued political dominance of Israel's right wing and by the PLO's 1982 defeat in Lebanon. These events made it increasingly clear that: (1) Israeli occupation would take considerably longer to end than Palestinians had assumed; (2) struggle had to be political rather than military; and (3) the arena of struggle had shifted from outside Palestine to inside the West Bank and Gaza Strip. Consequently, if Palestinians were to resist occupation over the long term, they had to develop more effective and empowering means of resistance.[79]

The new model that emerged was conceived as *sumud muqawim*, or resistance *sumud*. At its conceptual core lay the use of development as the primary form of resistance. Resistance development, as it became known, combined the basic needs approach of traditional *sumud* with the dynamism of grassroots change. Resistance development began to challenge traditional institutional structures and patronage with new, more radical mass-based organizations that organized and educated Palestinians from a range of socioeconomic classes. As such, the Palestinian leadership considered *sumud muqawim* a challenge to the Joint Committee model of development and viewed it with suspicion. The women's movement, for example, began to challenge the traditional

charitable institutions that had historically dictated both the form and the extent of women's activities in the public domain. This challenge, however, was directed at the political rather than the social status quo. Other mass-based activities included literacy training, preventive-health care for the rural poor, and the provision of agricultural extension services to isolated areas.[80]

Emerging economic strategies variously focused on revitalizing the trade union movement, organizing rural cooperatives, securing regional and international expanded markets for Palestinian commodities, and promoting the entrepreneurship so essential to developing those markets. However, change was slow and problematic, especially in an environment that institutionally reinforced old patterns and attitudes. Moreover, the mass movements that emerged during the 1980s were all organized along factional lines. Although this challenged the traditional patronage structure, it also split the national movement and encouraged internecine battles. However, the changes that occurred during the 1980s set the stage for the intifada, when the issue of development under occupation was carried to its contextual extreme and de-development was finally, albeit temporarily, challenged.

Conclusion

Israeli government policies of pacification, normalization, and integration demonstrated the decisive role of ideological and political factors in the critical early stages of occupation. The emphasis on control and security as the primary national objectives precluded a deliberate and carefully planned program of rational economic development, which the new Israeli administration never considered to be a priority or a real option. Indeed, Israeli capitalism was not interested in creating a satellite capitalist class in Gaza or the West Bank, nor did it seek to turn the occupied territories into a serious investment opportunity. Rather, the state sought to acquire the land, not the economic potential contained within it.

The lack of development planning at the policy level, however, did not absent the emergence of an economic policy that could serve Israel's ideological interests. The policy envisioned economic integration, not structural reform. This approach provided the government with a way of mediating its rule politically. It also encouraged changes in the structure of Gaza's economy that made it more dependent on and reoriented it to the needs of Israeli capital, internal constraints notwithstanding.[81]

Thus, to the extent that economic planning did occur at the official level, it reflected the state's political and economic imperatives and centered on four key areas: the integration of labor into the lowest sectors of the Israeli workforce, the elimination of the "refugee problem," the restructuring of trade, and the expropriation of land and water. The structural patterns established by these four areas, the primary foci of Israeli policy, contributed directly to delimiting and shaping the patterns of structural change in other sectors as well.

Palestinian development policies emphasizing *sumud* perpetuated the economic status quo created by Israel. These policies were survivalist in nature and were based on ensuring a Palestinian presence in the occupied territories through infusions of external Arab aid. It was not until the early 1980s that the static approach to economic activity was challenged by policies of grassroots change aimed at transforming economic and political life.

In the first two decades of interaction between Israel and the Gaza Strip, the major structural constraints on indigenous economic development inherited in 1967 (i.e., an agricultural sector too weak to absorb surplus labor, a tiny and underdeveloped industrial sector, a poor physical and economic infrastructure, and the presence of a majority and disenfranchised refugee community) remained unchanged. In addition, Israel introduced new constraints that reshaped the process of underdevelopment into one of de-development.

Notes to Chapter 6:

1. M. Benvenisti, *The West Bank Data Project—A Survey of Israel's Policies*, p. 12.

2. One government official interviewed physically winced when the word "development" was used and bluntly told the author, "We prefer not to use *that* word in this ministry."

3. Ephraim Kleiman, "The Economic Interdependence of the West Bank, the Gaza Strip and Israel," (paper presented at a symposium entitled "Economic Aspects of a Political Settlement in the Middle East," University of Nijmegen, Nijmegen, The Netherlands, 18–20 April 1990), p. 5. Kleiman also states that the lack of policy formulation occurred "...despite the fact that already by the end of July 1967, the government had before it an evaluation of the expected results of alternative economic policies regarding the West Bank, prepared by the Economic Planning Authority at the Prime Minister's Office."

4. In this regard, M. Benvenisti, *The West Bank Data Project—A Survey of Israel's Policies*, pp. 8–18, has argued that Israeli policy was characterized by attention to improvements rather than transformations.

5. M. Benvenisti, *The West Bank Data Project—A Survey of Israel's Policies*, p. 11.

6. Between 1967 and 1979, the territorial demarcation known as the Strip included the Gaza Strip and Northern Sinai which extended as far west as el-Arish. In 1979, the Sinai was returned to Egypt and the population of el-Arish (approximately 30,000 people) was deducted from official statistics. In 1982, portions of the Rafah area were also returned to Egypt and a population of close to 7,000 was also deducted from official accounts. Because the overwhelming majority of the population resided in the Gaza Strip and the majority of economic activity took place there as well, this chapter will deal only with the Gaza Strip unless otherwise noted.

7. Nimrod Raphaeli, "Problems of Military Administration in the Controlled Territories," *Public Administration in Israel and Abroad 1967* 8, (1968): 50. Also see Raphaeli, "Military Government in the Occupied Territories: An Israeli View," *Middle East Journal* 40 (Autumn 1968): 179.

8. Raphaeli, "Military Government in the Occupied Territories," p. 179.

9. Ibid.

10. A. Susser, "The Israeli-Administered Territories," in Dishon (ed.), Vol. 5, 353. Original citation, *Ma'ariv*, 30 November 1969.

11. Janet Abu Lughod, "Demographic Consequences of the Occupation," in Aruri (ed.), pp. 402, 404–405, states that there were 400,000 de facto residents of Gaza and 450,000 de jure (i.e., 50,000 Gazans were living outside the country).

12. Abu Lughod, "Demographic Consequences," in Aruri (ed.), p. 404. In 1967, the government of Israel did inaugurate a repatriation scheme under which 25,800 residents (8 percent of the 325,000 people) expelled from the Gaza Strip and West Bank were allowed to return.

13. Susser, "The Israeli-Administered Territories," in Dishon (ed.), Vol. 5, p. 353. See also Francis Ofner, "Israeli juggles refugee hot potato," *Christian Science Monitor*, 6 February 1969.

14. Rekhess, p. 392. Rekhess maintains that the primary concern of Israel policy was humanitarian.

15. Raphaeli, "Gaza under Four Administrations," 50; and "Bar-Lev to Help Gaza Strip Growth," *Jerusalem Post*, 29 June 1972.

16. Raphaeli, "Military Government in the Occupied Territories," p. 179. For a definition of this concept in the Gaza Strip, see Herbert Ben-Adi, "Gaza: Business as Usual," *Jerusalem Post*, 8 June 1973.

17. Rekhess, p. 392.

18. Neu, p. 189.

19. Joan Borsten, "Newsbeat/The Gaza Connection—I: Low-paid labour—a marriage of convenience," *Jerusalem Post*, 2 February 1983; and Neu, p. 189.

20. Kanovsky, p. 179; and Roy, *The Gaza Strip Survey*, p. 31.

21. Dishon (ed.), *Middle East Record 1969–1970*, p. 349 (emphasis added).

22. Rekhess, p. 393.

23. Kanovsky, p. 179.

24. Borsten, quoting Gur.

25. M. Benvenisti, *1986 Report*, p. 77.

26. Dishon (ed.), *Middle East Record 1969–1970*, p. 350.

27. While there were no customs barriers barring Israelis from investing in the Strip, such barriers did exist for Palestinians who might have wished to venture financially into Israel.

28. Dishon (ed.), *Middle East Record 1969–1970*, p. 350; and Rekhess, p. 398. See also Aaron Sittner, "Labelled 'development' areas: Gov't to boost investment in areas," *Jerusalem Post*, 9 October 1972.

29. See Hillel Frisch, *Stagnation and Frontier: Arab and Jewish Industry in the West Bank* (Jerusalem: The West Bank Data Base Project, 1983).

30. Rekhess, p. 398; Kanovsky, pp. 184–88.

31. Anan Safadi, "New projects aim: Self-sufficient economy in W. Bank, Gaza Strip," *Jerusalem Post*, 6 August 1972.

32. Ministry of Foreign Affairs, *Two Years Of Military Government 1967–1969: Data On The Activities Of The Civil Administration In Judea And Samaria, The Gaza Strip And Northern Sinai* (Tel-Aviv: Ministry of Foreign Affairs, May 1969), p. 47.

33. Bank of Israel, Research Department, *The Economy of the Administered Areas in 1970* (Jerusalem: Bank of Israel, August 1971), p. 34.

34. See International Labour Conference (ILO), *Report of the Director General-Appendices*, 71st Session (Geneva: ILO, 1985), pp. 37–39.

35. "Work in Israel produces 35% of 'area' income," *Jerusalem Post*, 2 August 1973.

36. Bank of Israel, *The Economy of the Administered Areas in 1970*, p. 34; Ze'ev Schul, "Citrus Season—In Gaza Too," *Jerusalem Post*, 4 October 1967; Herbert Ben-Adi, "Making Life Better In Gaza," *Jerusalem Post*, 14 June 1970; and "Gaza Strip notes gains but stays tense," *Washington Post*, 1972.

37. Government of Israel, *Two Years Of Military Government*, pp. 35–36; and Herbert Ben-Adi, "Gaza strawberries to Europe; citrus packing plant opened," *Jerusalem Post*, 6 February 1969.

38. Ephraim Ahiram, "The Principle Determinants of Economic Cooperation between the People of Israel and Palestine," (Paper presented at a symposium entitled "Economic Aspects of a Political Settlement in the Middle East," University of Nijmegen, Nijmegen, The Netherlands, 18–20 April 1990).

39. Government of Israel, *Two Years of Military Government*, p. 35.

40. Borsten; Neu, p. 191.

41. Neu, 194, points out other reasons for the high number of unregistered workers. In April 1969, Yitzchak Pundak, advisor on the territories to the Minister of Labor, revealed that of the 16,000 Arabs from the West Bank and Gaza working in Israel, 10,000 were employed illegally. Dishon (ed.), *Middle East Record 1969–1970*, p. 349.

42. Rekhess, p. 394.

43. See State of Israel, *Labour And Employment In Judea, Samaria And The Gaza District* (Jerusalem: Ministry of Labour and Social Affairs, Department of International Relations, February 1989), p. 16.

44. See Bregman, *Economic Growth*, p. 29.

45. See for example, "Influx of workers from Gaza, West Bank on increase," *Jerusalem Post*, 30 November 1969. See also a six-part series by Joan Borsten on Gaza Strip labor entitled "The Gaza Connection I–VI" which appeared in the *Jerusalem Post* in February 1983. See also Raphael Meron, *Economic Development in Judea-Samaria and the Gaza District: Economic Growth and Structural Change 1970–1980* (Jerusalem: Bank of Israel Research Department, May 1983), p. 48.

46. Bank of Israel, *The Economy of the Administered Areas in 1970*, p. 8.

47. Yuval Elizur, "Israel to Allow Gaza Arabs to Enter Country," *Washington Post*, 28 April 1972. Avraham Lavine (ed.), *Society of Change, Judaea, Samaria, Gaza Sinai 1967–1973* (Jerusalem: Ministry of Social Welfare, November 1974), p. 16, spoke of the new possibilities created for Palestinians "to peep, for the first time, over the fence of subsistence."

48. Dayan, *Story of My Life*, pp. 401–402. See also Herbert Ben-Adi, "Life returns to normal in the Gaza Strip," *Jerusalem Post*, 5 May 1972.

49. Dishon (ed.), *Middle East Record 1969–1970*, p. 349.

50. Ibid.

51. Rekhess, p. 396.

52. Neu, p. 213; "Gov't said for Dayan plan on Gaza crossings: Status Equal to West Bank," *Jerusalem Post*, 24 April 1972.

53. Raphaeli, "Military Government in the Occupied Territories," p. 180.

54. Dishon (ed.), *Middle East Record 1969–1970*, p. 351.

55. *New York Times*, 16 September 1969; *Jerusalem Post*, 3 October 1969.

56. Government of Israel, *Two Years of Military Government*, pp. 5–6.

57. Rekhess, p. 399. For a detailed description of the Galili Document, see Susan H. Rolef (ed.), *Political Dictionary of the State of Israel* (New York: Macmillan Publishing Co., 1987), pp. 120–21.

58. One government publication stated,

> Wages rose from I£ 5 per day in Judaea and Samaria to I£ 13.9 by December 1973. In Gaza, pre-war daily wages had been I£ 3.1; they had risen to I£ 12.9 by December 1972. There was a corresponding growth of the GNP, which, in Judaea and Samaria, went up from I£ 325 million in 1968 to I£ 685 million in 1971; in Gaza, the GNP rose, during this same period, from I£ 126 million to I£ 280 million.

See Israel Information Centre, *The Administered Areas: Aspects of Israeli Policy*, Information Briefing #10, Ministry of Foreign Affairs, 1973, p. 15.

59. In 1974, the Research Department of the Bank of Israel concluded:

> The introduction of Israeli production methods and lifestyle into the areas must be regarded as a leap forward, one which may turn out to be an important precondition for continued growth. Nonetheless, it would seem that in the immediate future the further rapid growth of the administered areas depends on the continued maintenance of ties with Israel.

See Bregman, *Economic Growth*, p. 8.

60. Dishon (ed.), *Middle East Record 1969–1970*, p. 348; Rekhess, p. 396.

61. Ibid.

62. *Israeleft News*, 15 February 1973.

63. Sheila Ryan, "Israeli Economic Policy in the Occupied Areas: Foundations of a New Imperialism," *MERIP Reports*, no.24 (January 1974): 8.

64. In the West Bank, this local base was the village league system, and in the Gaza Strip, it constituted support for specific families and groups with pro-Jordanian (as opposed to PLO) leanings.

65. "Plan for 'less than peace'—Dayan," *Jerusalem Post*, 2 December 1968. See also Ari Rath, "What Should Be Done Until Peace Comes?" *Jerusalem Post*, 2 February 1973.

66. "Dayan: let's act in areas, not wait and see," *Jerusalem Post*, 20 August 1971.

67. Abraham S. Becker, *Israel and the Palestinian Occupied Territories: Military–Political Issues in the Debate* (Report Prepared for the Office of the Assistant Secretary of Defense for International Security Affairs, Rand Corporation 1971), cited in Ryan, p. 9.

68. *New York Times*, 29 July 1968; Raphaeli, "Gaza under Four Administrations," p. 51.

69. The supply of electricity by private companies continued far longer in the West Bank, where they were more highly developed.

70. Dishon (ed.), *Middle East Record 1969–1970*, p. 398; "Gaza mayors want to see Dayan on grid," *Jerusalem Post*, 1 December 1969.

71. "Gaza linked to Israel national power grid," *Jerusalem Post*, 27 November 1969.

72. Dishon (ed.), *Middle East Record 1969–1970*, p. 356.

73. Ibid.

74. William Wilson Harris, *Taking Root: Israeli Settlement in the West Bank, the Golan and Gaza-Sinai 1967-1980* (New York: Research Studies Press, 1980), p. 1.

75. "Galili again tells Knesset: Gaza musn't be separated," *Jerusalem Post*, 4 May 1972.

76. Hirsh Goodman, "Galili to the Knesset: Gaza Strip will not be separated from Israel," *Jerusalem Post*, 28 March 1972. See also, "Consolidation in Gaza Strip must be speeded—Galili," *Jerusalem Post*, 8 October 1970; "Eban: Gaza won't be separated from Israel," *Jerusalem Post*, 17 November 1972; and H. Ben-Adi, "Hillel: working toward Gaza's full integration," *Jerusalem Post*, 5 January 1971.

77. Goodman, "Galili to the Knesset: Gaza Strip will not be separated from Israel," *Jerusalem Post*, 28 March 1972. The article details the debate in the Knesset over Galili's statements but indicates that his position reflected the prevailing view within the government. A brief but succinct synopsis of Galili's speech in the Knesset is presented in "Gaza and Israel," *Jerusalem Post*, 4 May 1972.

78. M. Benvenisti, *The West Bank Data Project—A Survey of Israel's Policies*, p. 27.

79. In this regard, see William B. Quandt, "Political and Military Dimensions of Contemporary Palestinian Nationalism," in William B. Quandt, Fuad Jabber and Ann Mosley Lesch (eds.), *The Politics of Palestinian Nationalism* (Berkeley: University of California Press, 1973), pp. 43–148; and Ann Mosley Lesch, *Political Perceptions of the Palestinians in the West Bank and Gaza Strip* (Washington, DC: Middle East Institute, 1980).

80. See Ibrahim Dakkak, "Development from Within: A Strategy for Survival," in Abed (ed.), pp. 287–310.

81. See Baruch Kimmerling, *Zionism and Economy* (Cambridge, MA: Schenkman Publishing Co., Inc., 1983), pp. 41–67. See also (Israel) Ministry of Defense, *Development and Economic Situation in Judea, Samaira, the Gaza Strip and North Sinai 1967–1969: A Summary* (Tel Aviv: Ministry of Defense, 1970), which states, "The areas are a supplementary market for Israeli goods and services on the one hand, and a source of factors of production, especially unskilled labor, for the Israeli economy on the other." Cited in Ryan, p. 9.

7

Expropriation and Dispossession

Gaza's de-development has been shaped by a range of policies and economic factors that fall under three categories: expropriation and dispossession, integration and externalization, and deinstitutionalization. Each category will be reviewed separately in the next three chapters. Expropriation and dispossession deny a people the full use and benefits of its own economic resources. As a result, their capacity for economic change is constrained and weakened. In Gaza, expropriation and dispossession are most visible and devastating in connection with water and land issues. Israel's disposition of water and land in the Gaza Strip is a powerful illustration of the ideological and political basis of state policy. This policy has removed critical factors of production from the Arab sector, without compensation, for exclusive use in the Jewish sector. This chapter demonstrates that Israeli policy aimed not only to transfer Gaza's economic resources to Jewish use but to deny Arabs the use of those resources and thereby decapacitate them. As such, expropriation and dispossession represent the absolute and irreversible loss of economic assets and their development potential. A third area of expropriation and dispossession is housing; a fourth is illustrated in Israeli expenditure and investment patterns in the Gaza Strip.

Throughout the next three chapters, reference will be made to the Gaza Plan, a confidential document commissioned in 1986 by the defense ministry and Gaza Civil Administration to survey and study Gaza's key sectors and make planning projections through the year 2000. The Gaza Plan is among the most important internal government documents dealing with the Gaza Strip and has

not been made public. The Gaza Plan may seem obsolete in light of the Gaza–Jericho Agreement but it reveals official Israeli thinking and strategies on a variety of critical issues that fundamentally remain unchanged in the Gaza–Jericho Agreement. It is cited throughout as a definitive source and key resource with particular relevance for the future.[1]

Water

The issue of water in the Gaza Strip is extremely compelling. In certain respects, water is most crucial for the future of the Gaza Strip and West Bank because without it, nothing is possible. The policies that affect water, therefore, have a defining impact on other factors of production, especially on the economic, social, and political value of land. The singular importance of water for human survival and economic growth, coupled with its rapid depletion in the area and in the region, makes it an issue of extreme political importance and sensitivity. When one considers that today there is not enough water to meet the needs of all Israelis and Palestinians in the area, policies determining water use and allocation assume a level of meaning and significance too costly to ignore. What has Israeli policy done for water in the Gaza Strip?

The problems with Gaza's water supply did not begin during Israeli rule but before it, when the unregulated use of water resulted in chronic overpumping and the depletion of local supplies. Under the Egyptians, water was considered a private resource of which individuals could claim ownership. Water use was based, not on a system of permits, but on customary law, which conferred on all who needed it the right to use water for whatever purpose.[2] After the 1967 war, the Israeli government, through its national water carrier Mekorot, assumed control over all surface and underground water in the occupied territories.[3] Since then, Israeli policy has exacerbated already existing problems. The basic assertion is that the state, motivated largely by political motives, has overregulated water supply to the grave detriment of the resource.

The problem of water is one of quantity as well as quality. The Gaza Strip contains shallow acquifers (natural reservoirs for underground water), about 30 to 40 meters deep, and unconfined by rock. There are no rivers; the only sources of surface water are wadis. If rainfall is low, one must dig deep to find water. If replenished water decreases, then the concentration of contaminants increases and seawater enters underground water, increasing salinity. In recent years, this problem has been aggravated because the Wadi Gaza, whose regular flooding used to supplement the groundwater supply, has been dry.

Water is supplied by 1,800 to 2,150 artesian wells and boreholes, the majority of which are located in the inner Gaza area and used for agricultural purposes.[4] In 1985, the annual output of water in the Gaza Strip was approximately 90 million cubic meters (mcm) per year. In 1990, total water consumption reached 100 mcm. By the year 2000, demand is expected to rise to 113 mcm.[5]

The demand for water in the Gaza Strip, however, has long exceeded the

area's existing capacity and natural replenishment, resulting in a deficit of fresh water. As early as 1981, a master plan for the Gaza Strip revealed that the sustainable level for pumping water was estimated at only 44 mcm.[6] In 1986, in the unlikely event that the situation did not deteriorate, this would have produced a deficit of 46 mcm of fresh water. In 1987, Benvenisti estimated the deficit at 60 mcm per year; another study commissioned by the military government in 1986 placed it more conservatively at 15 mcm.[7] Table 7.1 indicates that by the turn of the century, existing resources will only provide one-third of the water projected for agricultural use and 43 percent for domestic use.

The deficit in fresh water causes overpumping of the aquifer, or the extraction of more water than is replenished naturally. This in turn allows seawater seepage into the fresh water acquifer, because Gaza's underground water slopes toward the sea. Furthermore, urbanization has interfered with the percolation of rain into the ground, which renders the groundwater even more saline.[8] In 1987, overpumping resulted in a drop of Gaza's water table by 7 to 20 cubic meters for the entire territory and increased salinity levels.[9]

Table 7.1. Water Balance in the Year 2000. Sources and Uses in the Gaza Strip (mcm*)

use	*drawn from wells*	*purified sewage*	*other uses*	*total*
Drinking	23	0	30	53
Agriculture	20	40	0	60
Total	43	40	30	113

Source: Gaza Plan, table 14.1.
* millions of cubic meters.

Salinity is measured by the number of milligrams of chlorine per liter (mcl) found in fresh water, and levels falling below 600 mcl are considered acceptable. (In Israel, anything between 200 mcl and 300 mcl is considered dangerous to citrus.[10]) Salinity levels vary across the Strip. According to Tahal, Israel's water planning authority, they are lowest (100 mcl to 200 mcl) in the northern region, which includes Gaza City, Beit Hanoun, and Beit Lahiya, and in the southwestern regions along the coast. However, salinity levels are extremely high in Gaza's central and southeastern regions, notably Deir el-Balah and Khan Younis, averaging between 600 mcl and 1,000 mcl.[11] In some areas, levels exceed 1,000 mcl. Data from the agriculture ministry reveal that the proportion of chlorine reaches as high as 3,300 mcl in some parts of the Strip, such as Deir el-Balah.[12]

Although levels vary, the trend for the entire Strip has been for salinity levels to rise from 1 mcl to 20 mcl per year since the early 1980s.[13] This is

reducing the amount of pumped water with an acceptable salinity level at a dramatic rate, from 71 percent of the total water pumped in the Gaza Strip in 1983 to an estimated 54 percent by the year 2000. In November 1987, Gaza's civil administration estimated that at current usage levels, the Strip would be out of fresh water within 20 years unless reparative measures were taken.

Water quality is also damaged by the entry of sewage into underground water supplies, due to the Strip's overall poor sewage system. The sewage infrastructure in the Gaza Strip has been and continues to be sorely inadequate. Approximately 10 percent of the population is not served by any system and are simply dumping raw sewage. Close to 80 percent of the towns and villages possess an extremely inadequate sewage system and rely largely if not entirely on the use of septic tanks and soaking pits for sewage disposal. These pits often overflow into surface drainage systems, which in turn overflow onto roadways and into homes. The Gaza City system, for example, was planned in 1973 to serve a population of 189,000. However, by 1986, the facilities that were constructed could only handle the sewage of 50,000 people, although Gaza City's population approached 200,000. The 1981 Master Plan for the Gaza Strip envisioned the construction of central sewage systems (including treatment facilities) in five places. By the beginning of 1987, however, only the Gaza system had been completed, whereas development of two others had been aborted due to political obstacles created by neighboring Israeli settlements.[14]

The sewage situation is gravest in the refugee camps. By 1989, only two camps, Jabalya and Beach, had partial systems.[15] Although pumping stations and a lagoon had been built, there was no main line or house connections. In Jabalya, Israeli officials prohibited the construction of the main line, arguing that the Jabalya system did not fit in with their master plan for the Gaza Strip, which they refused to make public.[16] By 1992, a more complete system had been built although appropriate treatment facilities were still lacking. The Beach camp network, built in the early 1970s, is in poor condition. Wastes carried by sewers are typically dumped directly into the sea or are carried to nonoperational treatment systems that dump waste directly onto sand dunes where large cesspools then form. Alternatively, wastes are transported through open channels through valleys leading to the sea where they often form temporary lakes that empty into the sea only during the rainy season. There is no control over the disposal of solid wastes and this contributes greatly to ground water contamination.[17] (The implementation of partial autonomy has brought only minor improvements.)

Sewage seepage results in the concentration of nitrates in underground water. A 1983 survey found a high level of nitrates (100 to 400 milligrams per liter) in the Strip's most populated areas, including Gaza City, Jabalya, Nazlah, Beit Hanoun, Nuseirat, and el-Bureij. The Khan Younis and Rafah refugee camps have extremely high concentrations of nitrates (and other chemicals). Given the Strip's population growth and urbanization patterns, this source of contamination will undoubtedly continue.[18] In 1987, in a confidential report to the mili-

tary government, Tahal wrote: "The rapid salination processes showing an increase of salinity in certain areas of 10–20 mgr chlorine and the increase of infection by nitrates warrant immediate actions to be taken . . . not later than the beginning of the 1990s."[19] In 1993, UNRWA reported that nitrate concentrations increased from almost two times the international standard in the 1980s to more than six times the international standard in 1993.[20] This suggests that Tahal's recommendations were not implemented by the government.

The insufficiency and decreased quality of Gaza's water supply, have been exacerbated by Israel's own, often urgent, need to supplement its own water resources.[21] In accordance with the Israel Water Law of 1959, water was declared to be a public commodity soon after the occupation began. This declaration exceeded the rights of an occupying power under international law.[22] One objective of official policy was to impose needed regulations on water use in order to preserve the supply that had been seriously depleted during Egyptian rule. Prevailing Egyptian law was amended with Military Order 158, which required a license for digging new wells. Given Israel's need to control and use water resources, however, Military Order 158 translated into a prohibition on the development of new water sources by the Arab population *only*. These restrictions have never applied to the Jewish settlers in the Gaza Strip.

Government measures regarding water use have assumed several forms in Gaza. First, despite the restrictions imposed on the Arab population, the authorities bored five 20-inch artesian wells in the Strip that draw water from Gaza's own limited sources for Jewish (including settler) use.[23] Second, Gaza's most important source of surface water and one that it shares in common with Israel, the Wadi Gaza (or *Nahal Bessor* in Hebrew), is diverted wholly for use by Israel. The Wadi Gaza has catchment areas in the West Bank, Gaza, and Israel and arguably provides 20 mcm to 30 mcm of water per year. However, Israel impounds this water before it even enters Gaza.[24] Third, part of the water in Gaza's aquifer—50 mcm to 60 mcm per year—flows from Israel. Although Israel denies it, Palestinian hydrologists claim that Israel intercepts this flow, leaving small quantities for Gaza.[25] Fourth, unofficial reports from foreign development agencies working in the Gaza Strip maintain that in 1985, the government dug between three and five boreholes so close to Israel's border with Gaza that water drawn from them was being drawn from Gaza's own reserves instead.[26] Fifth, government sanction of Jewish settlement in Gaza has further limited the amount of water available to the Arab sector. Water use among Jewish settlers in the Gaza Strip prevents Palestinian agriculturalists from making optimal use of available water, a fact that has no doubt played a role in confining farming methods within a decidedly traditional framework.

Overall, Israeli policy has had a particularly devastating effect on agriculture, the primary consumer of water and the traditional focus of economic activity, as well as on domestic consumption. It is important to examine each area closely to understand fully the effects of Israeli policy.

Agriculture accounts for at least 80 percent of Gaza's total water con-

sumption, a percentage that has increased in direct response to population growth and the demands for expanded agricultural output that naturally attend such growth. Water used for agricultural purposes derives from two sources: pumped well water and purified sewage water. The former traditionally supplied approximately 70,000 dunums of citrus groves, which provided a livelihood for 10,000 of Gaza's farmers. In 1985, agriculture consumed 67 mcm of the 90 mcm used or 74 percent; in the year 2000, agricultural demand is expected to be 60 mcm out of a projected output of 113 mcm, or 53 percent.[27]

The extension of water to the agricultural sector is critical for expansion, capitalization, and modernization. However, Israeli policy measures toward agricultural use have militated against the expansion of Gazan agriculture. Itzhak Galnoor, in his excellent study of water planning in Israel, explains, "If not for the extension of the water supply to agriculture, it would have been impossible to create a modern farming economy with an export market or to consolidate new settlements based largely on agriculture."[28] In the Gaza Strip, however, the reverse has long been true. In the mid-1970s, the authorities imposed water quotas on Arab farmers, restricting them to 800 cubic meters per year for hard soil and 1,000 cubic meters per year for sandy soil.[29] The government placed meters on all wells, even those dug before 1967, and refused Arabs permits to dig new agricultural wells. In fact, the Israeli government has admitted its policy against granting permits to Palestinians for digging new agricultural wells. The official justification for this policy is that greater productivity can be achieved through improved on-farm irrigation methods than by expanding the amount of land under irrigation.[30]

The solution to the problem of agricultural water supply lies largely in the treatment of sewage water. Israeli planners estimated that if the five central sewage systems described above were completed by the year 2000, the purified sewage water produced would irrigate 7,000 dunums in the Beit Lahiya region; 19,000 dunums in and around Gaza City; 3,000 dunums in the area of el-Bureij and the central Gaza Strip; 4,000 dunums in the Abasan region; and 2,500 dunums in Rafah and its surrounding environs, for a total of 35,500 dunums of additional irrigated land. Furthermore, the Gaza Plan stipulates that any supply of purified sewage water over 8.4 mcm per year could replace well water altogether. In fact, treated sewage water could be used as a substitute for well water to the extent of 40 mcm per year. Hence, the absence of effective sewage systems and treatment facilities has grievously constrained the expansion of the agricultural sector by reducing the amount of land under cultivation and unnecessarily depleted existing water supplies.

Growing salinity of local water resources has reduced the amount of water drawn for agricultural purposes, which has in turn lowered the area under cultivation. The Gaza Plan estimated the rate of decline of well water used for agriculture at 1 percent per year in the north, 3 percent in the center, and 2 percent in the south.[31] The problem is particularly ominous for local agriculture, which can only tolerate 11.5 percent of the nitrate levels found in certain

regions.[32] Gaza's citrus crop, a primary consumer of water, has suffered considerably from the increasing nitrate contamination, which has lowered citrus output and quality.

In addition to the problems of salinity, the high cost of agricultural water raises production costs and has contributed to the decision of certain farmers in the Gaza Strip to lower water consumption at the expense of quality and productivity. This practice alone has hindered production for competitive export markets.

Israeli policies have had a very different impact on Jewish agriculture in Gaza. Settler consumption per person is vastly greater than that of Arabs for agricultural use. This is not surprising in light of the very small population size of the settler community, their ethnic status, and the fact that settlements are based largely on irrigated farming. Again, despite stated restrictions on the digging of wells by Arabs in the Strip, Israeli settlements have installed 35 to 40 new wells since their establishment over a decade ago. Moreover, these wells are dug on average 300–500 meters deep compared to the average Palestinian well, which is usually no deeper than 100 meters. The greater depth of Jewish wells, combined with the settlers' use of more powerful pumps, has adversely affected some existing Palestinian wells by drawing water away from them.[33] Jewish farmers, unlike their Arab counterparts, do not suffer from imposed water quotas, nor are any Jewish wells metered. In addition to the 3.4 mcm of water supplied by Mekorot for agricultural use in 1986,[34] Israeli settlements in the Gaza Strip drew 2.2 mcm of water from Gaza's own reserves. This supply, in part, would otherwise have been available for Arab use were the settlers not present.[35] Some settlements, furthermore, are critically situated near the *al-mawasi*, a low-lying sandy strip running parallel with and close to the coast, where fresh water oozes just 1 to 2 meters below ground, an area so fertile that one Gaza farmer called it "the earth's womb."

Viewed individually, the difference in total water consumption between Arabs and Jews in the Gaza Strip is striking. In 1986, for example, annual per capita water consumption among the Arab population averaged 142 cubic meters; it was 2,240 cubic meters among Jews, or close to 16 times greater per person. Agricultural consumption rates among Arabs and Jews differed somewhat, standing at 75 percent and 90 percent of total water consumption, respectively. Annual agricultural consumption per capita was 107 cubic meters for Arabs; for Jews it was 2,016 cubic meters, or more than 18 times greater. This per person difference has not narrowed significantly since 1986.[36] The higher consumption rate among Jewish settlers is heavily subsidized by the government. Settlers also receive water development assistance from a variety of Jewish organizations; Palestinians receive no such assistance, due to government restrictions on water development and external assistance.

Domestic (including business) use accounts for the remaining 20 percent of Gaza's water supply. Because population size and living standards are expected to increase, so too is the demand for domestic water; whether such

demand will be met is uncertain. In 1985, 23 mcm of water (26 percent of total output) was consumed for domestic use. By the year 2000, residential use will account for 53 mcm, or 47 percent of total output.[37]

Gaza City has fifteen usable municipal wells but needs approximately thirty to meet local demand. Khan Younis has only six wells supplying the majority of its water, five of which were built during Egyptian rule. According to tables 7.2 and 7.3, total demand for water for residential use will more than double between 1986 and 2000, although there will be a 20 percent decline in usable drinking water during that time (see table 7.4 and figure 7.1). Moreover, in the year 2000, the demand for residential water will, if allocations of sub-

Table 7.2. Forcast of Demand for Water for Residential Use in the Gaza Strip

		1986	
	population	*demand/person/year*	*total demand*
region	*('000)*	*(m^3)*	*(mcm*)*
North	329.2	35	11.5
Central	93.7	35	3.3
South	210.7	35	7.4
Total	633.3	35	22.2

		1990	
	population	*demand/person/year*	*total demand*
region	*('000)*	*(m^3)*	*(mcm*)*
North	373.1	41	15.3
Central	106.1	41	4.3
South	238.9	41	9.8
Total	718.1	41	29.4

		1995	
	population	*demand/person/year*	*total demand*
region	*('000)*	*(m^3)*	*(mcm*)*
North	432.5	48	20.7
Central	123.0	48	5.9
South	276.9	48	13.3
Total	832.4	48	39.9

		2000	
	population	*demand/person/year*	*total demand*
region	*('000)*	*(m^3)*	*(mcm*)*
North	497.5	55	27.4
Central	141.5	55	7.8
South	318.5	55	17.5
Total	957.5	55	52.7

Source: Gaza Plan, table 14.2

* mcm = million m^3

standard well water are included, be more than twice the supply. Equally striking is the continued absence of usable drinking water in the central region, despite a projected increase in total demand of 136 percent. Hence, although the deficit in usable drinking water for the whole Gaza Strip was 2.4 mcm in 1986, the total deficit was expected to increase to a precipitous 36.8 mcm by 2000, a fourteenfold increase in fourteen years. It is also clear that in 1986, the deficit was covered by pumping and using drinking water that was brackish and substandard.[38] It is unclear how the deficit will be covered in the future.

Domestic water consumption is an important indicator of local living standards. Israeli policies, particularly with regard to the cost differentials between Arabs and Jews and the inequitable allocation of permits for well digging, have affected the absolute amount of water available to Palestinians for domestic use. The world standard for domestic water consumption is 250 liters/person/

Table 7.3. Balance of Drinking Water through the Year 2000: Sources and Demand in the Gaza Strip (mcm/year*)

	1986		
region	*sources*	*demand*	*surplus/deficit*
North	15.3	11.5	3.8
Central	0.0	3.3	-3.3
South	4.5	7.4	-2.9
Total	19.8	22.2	-2.4
	1990		
region	*sources*	*demand*	*surplus/deficit*
North	13.8	15.3	-1.5
Central	0.0	4.3	-4.3
South	3.5	9.8	-6.3
Total	17.3	29.4	-12.1
	1995		
region	*sources*	*demand*	*surplus/deficit*
North	13.6	20.7	-7.1
Central	0.0	5.9	-5.9
South	3.1	13.3	-10.2
Total	16.7	39.9	-23.2
	2000		
region	*sources*	*demand*	*surplus/deficit*
North	13.4	27.4	-14.0
Central	0.0	7.8	-7.8
South	2.5	17.5	-15.0
Total	15.9	52.7	-36.8

Source: Gaza Plan, table 14.4.
*mcm = million m^3

day (lpd). In the United States and Western Europe, the average is 400 lpd; in Israel, 500 lpd; in North Africa's Sahara, among the lowest in the world, it is 10 lpd. In 1986, according to the Gaza Plan, the average consumption of domestic water in the Gaza Strip was 100 lpd (or 35 cubic meters per person per year); this was expected to rise to 150 lpd by the year 2000.[39] Thus, according to Israeli planners, domestic consumption in the Strip was 10 times higher than the lowest international level, 60 percent below the acceptable world standard, and 20 percent of the consumption rate in Israel.

Table 7.5 details the domestic consumption and source of water for towns and camps, according to local Palestinian officials. The lowest consumption levels are found in Khan Younis City, Khan Younis camp, and the middle camps. Although partially due to salinity, low levels are also due to a common Israeli practice of shutting off water as a form of collective punishment. Areas such as the middle camps that receive a large percentage of their water from Mekorot are most vulnerable to such measures. This measure was used throughout the intifada, especially in the el-Bureij refugee camp.

Domestic water resources suffer from problems of quality as well as quantity. In 1986, Israeli planners stated that rising salinity levels in Gaza's water supply pose a growing public health problem "that is likely to increase kidney disease and dysentery, with children being the primary victims."[40] These same problems, however, do not affect the domestic consumption of water among the

Table 7.4. Forecast of the Depletion of Drinking Water Sources[a] in the Gaza Strip (mcm/year[b])

region	*1986*	*1990*	*1995[c]*	*2000*
North	15.3	13.8	13.6	13.4
Central	0.0	0.0	0.0	0.0
South	4.5	3.5	3.1	2.5
Total	19.8	17.3	16.7	15.9
Substandard well water used for drinking	3.2	5.7	6.3	7.1
Total well water used for drinking[d]	23.0	23.0	23.0	23.0

Source: Gaza Plan, table 14.3.

[a] Adapted from Tahal, Closed Water System in the Gaza Strip.

[b] mcm = million m3

[c] Yearly average for 1990-2000

[d] In tables 7.2 and 7.3 the demnad for drinking water in 1986 appears as 22.2 mcm/year. The difference is due to the use of different sources for each of the tables in the original text but is small enough to be ignored.

Figure 7.1
Balance of Drinking Water Through 2000: Supply and Demand–Gaza Strip

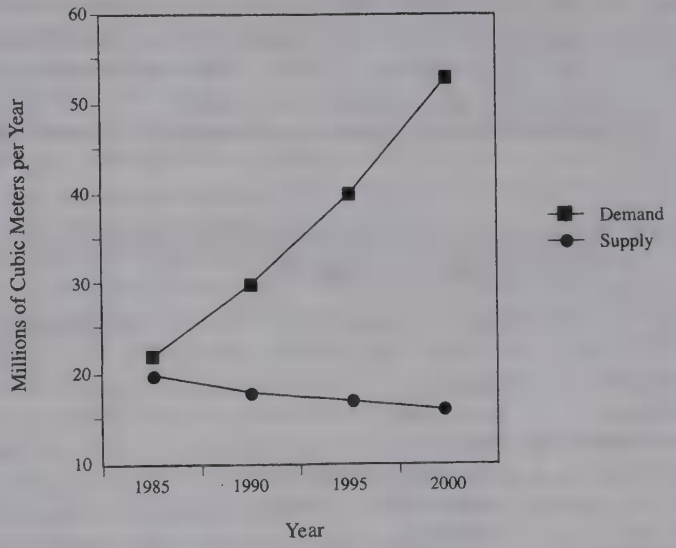
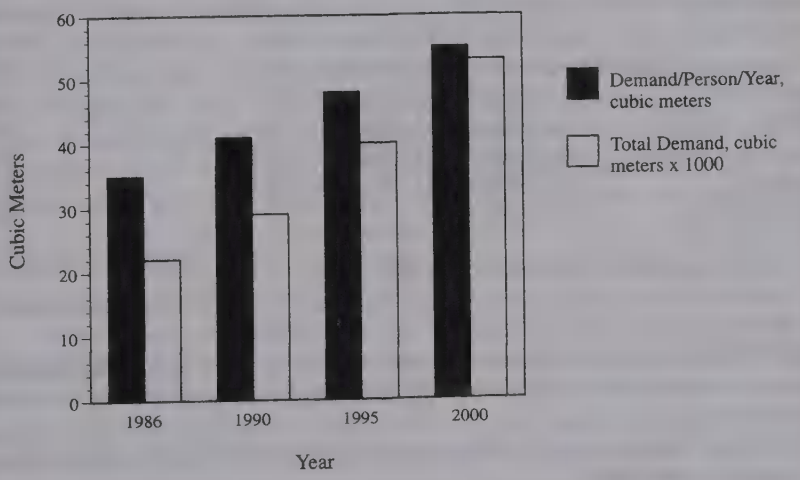


Figure 7.2
Forecast of Demand for Water for Residential Use, Gaza Strip



Jewish population. In 1986, for example, on average, every Gazan Palestinian consumed 35 cubic meters of water for domestic use (100 lpd) or 24 gallons a day, whereas every Jewish settler in the Gaza Strip consumed 224 cubic meters (600 lpd), or 148 gallons a day.[41] Palestinian water is available only during certain hours (especially in the camps); Jewish water is available 24 hours a day. On average, Palestinians pay four times more per unit of domestic water than Jews, who enjoy government subsidies.[42] Moreover, water provided to the Jewish population is of substantially higher quality.

The steady deterioration of the quantity and quality of Gaza's underground

Table 7.5. Domestic Sources of Water and Domestic Consumption by Selected Localities in the Gaza Strip, 1989

locality	*source of water*	*liters/person/day (lpd)*
Gaza City	local wells[a]	220
Beach Camp	local wells	160-180
Jabalya Town	local wells	150
Jabalya Camp	local (20%), UNRWA (40%), and private (40%) wells	150
Beit Lahia	local wells	180-190
Beit Hanoun	local wells	180-190
Deir el-Balah[b]	local wells	120
el-Nuseirat	Mekorot (2-3 hrs/day)	100
el-Bureij	Mekorot (2-3 hrs/day)	100
el-Maghazi	Mekorot (2-3 hrs/day)	100
Zawaida	Mekorot (2-3 hrs/day)	100
Rafah City	local wells	200
Rafah Camp[c]	local wells	160
Khan Younis City	local wells (80%), Mekorot (20%)	<100
Khan Younis Camp	local wells (80%), Mekorot (20%)	<100
Bani Suheila	local wells (50%), Mekorot (50%)	150
Abasan el-Kabira	local wells (50%), Mekorot (50%)	150
Abasan el-Saghira	local wells (50%), Mekorot (50%)	150
Kuza'ah	local wells (50%), Mekorot (50%)	150
Other villages	local wells	120

Source: Association of Engineers, Gaza Strip, 1989.

[a] Local wells refer to municipal wells. Gaza City had 17 wells but two were unusable in 1994 due to excessive levels of salinity.

[b] UNRWA has one well each in el-Nuserat and el-Bureij which are unsafe but used in emergency situations. The UNRWA well in el-Maghazi was turned over to the civil administration.

[c] The Water Department at UNRWA, Gaza, stated that UNRWA wells supply 36% and local wells supply 64%.

water supply, combined with the growing demand for water for home and agricultural use, mandate the development of alternative water sources.[43] One suggestion, to import 30 mcm of water from Israel, would meet only 26 percent of Gaza's estimated water demand in the year 2000. Another proposal, to desalinate seawater, is technology intensive and extremely costly. A third proposal, to divert water from the Nile River into Gaza, would require Egyptian cooperation but might be technically feasible, given that water is already piped from the Nile into el-Arish in the Sinai.

Tahal proposed two alternative scenarios that entail additional restrictions on pumping, desalination, importing water from Israel, and treating sewage water. Tahal's recommendations may also seem outdated in light of the Gaza–Jericho Agreement, but they reveal Israeli approaches to the problems of water particularly as it regards Jewish settlements, and are therefore pertinent.

The focus of Tahal's water plan for Gaza was primarily if not exclusively on the provision of supplementary drinking water, given the projected rise in domestic consumption and the immediate human imperative at stake. Tahal did not deal at all with agricultural needs, which appear to be far less important or perhaps unsustainable within existing constraints.[44]

Tahal proposed a two-stage process—intermediate (1990) and permanent (2000 and beyond)—and two different scenarios, one linked to Israel's water supply and the other focused on indigenous sources. For stated reasons of cost, facility, and efficiency, the scenario linking Gaza to Israel's water supply was recommended. Under this scenario, a pipeline would be built to connect the Israeli water network to the north of the Gaza Strip; this pipeline would transfer an additional 7 mcm of drinking water per year to the northern Strip, the Gaza area, and the middle camps. Another pipeline was envisioned to the "Jewish consumers of Gush Katif" in the south, who alone would be supplied with 3 mcm per year. "This [in turn] will enable the transfer of wells, supplying today a quantity of about 2 million cubic meters to the Jewish settlements, to the use of only Arab consumers."[45]

Thus, under this plan, the Arab population would receive an additional 9 mcm of water per year—7 mcm from Mekorot and 2 mcm from its own local sources presently used by Jewish settlements—a supply that would cover only 74 percent of Gaza's projected 1990 deficit in drinking water. The Jewish settlers would receive 3 mcm to cover the loss of the 2 mcm they had previously drawn from local wells, in addition to the 3.4 mcm they already receive from Mekorot. Although the plan does not state this last point explicitly, it is nevertheless a safe assumption.

Consequently, the settler population would, in the end, receive an extra 1 mcm per year. On a per capita basis, therefore, every Arab in the Gaza Strip would receive a supplemental 13 cubic meters per year, whereas every Jewish settler would receive an additional 333 cubic meters per year. Even by restricting the arithmetic to the targeted population in the north and center (approximately 70 percent of the total population), the quantity of additional drinking

water per capita amounts to only 19 cubic meters per year for every Arab, for a total per capita allocation in 1990 that would still be 17.5 times smaller than that of the average Jewish settler.[46] Moreover, table 7.4 indicates that even with the additional supply of drinking water from Israeli sources, not all the water consumed for Arab domestic use will be fit for human consumption.

That regulation of Gaza's water supply was necessary is indisputable. However, if regulation and preservation of water resources were the primary goals of Israeli policy, more even-handed policies would have been used and much more stringent efforts would have been applied toward seeking solutions. Instead, Israel depleted a large percentage of Gaza's water for its own use in Israel and for Jewish settlers in Gaza. Palestinians were left with less water and inferior water; agricultural development was handicapped and personal well-being decreased.

Israel's water policy is driven by political, not economic, motives. In Israel, the Zionists declared water a state-owned commodity. Water is part of the ideology of nation-building so central to Zionist thought and to its practical application, land settlement. Therefore, there is no difference between water as a final product (e.g., drinking) and water as a means of production.[47] Water holds great ideological weight among the social priorities of the state and early on assumed archetypal importance as "the blood flowing through the arteries of the nation."[48] In Israel, water is far more than just an economic commodity; it is a precondition for achieving political goals and fulfilling social values. Itzhak Galnoor explains the relationship between national goals and water development in the Israeli experience:

> The vision of opening up the Negev, [for example], never took note of the economic constraints of water but, on the contrary, subordinated considerations of development . . . to the vision of making the desert bloom.[49]

This explains why the government has consistently promoted the establishment of Jewish settlements and supported the gross inequities that they have introduced. Indeed, "the question of water was a marginal factor in considerations regarding settlement in the territories occupied in the 1967 war and not a constraint affecting policy or planning."[50] Israel's settlement of the Gaza Strip, like that of the Negev, was dictated by ideology, not economy. Only afterwards were the practical problems of water considered, first as they affected Jews, and only then as they affected Arabs.[51]

Israeli policy toward water consumption is a form of control that needs to be understood for both what it has and has not done for Gaza. The policy has consistently reduced the amount of water available to the rapidly growing Gazan Arab population by at least the amount it apportions to Jewish civilian settlements, which enjoy disproportionately higher allocations per capita. This amount, in effect, represents the minimum denied; the maximum would include those Arab water sources diverted to Jewish use in Israel. What the policy has not done is augment, supplement, or compensate the absolute loss to the Arab sec-

tor nor enhance the quality of the water that is available, a growing percentage of which is unfit for human consumption.

Thus, the problems of water in the Gaza Strip and the government's response (or lack thereof) assume their own internal logic and consistency. The reason for Israel's total control of water has little to do with regulation and a great deal to do with Israel's territorial expansion, itself predicated on the denial of sovereignty to Palestinians. The outcome has been the dispossession and decapacitation of Palestinians in Gaza, and their de-development.

Land and Settlements

Israel's land policies are similar to its water policies. The total area of the Gaza Strip is approximately 140 square miles (365,000 dunums).[52] In 1945, before the state of Israel was established, the entire area was available for Arab use. This meant that there were about 5.1 dunums for every resident of the area that was to become the Gaza Strip. In 1948, with the refugee influx, this figure dropped to around 1.1 dunums. Between 1945 and 1986, the amount of land available to Arabs in the Gaza Strip fell by 39 percent, whereas the population rose by nearly 800 percent. Thus, Gaza's rapidly expanding population has had to make do with an ever-shrinking land base.

The two key determinants of land availability have been government land confiscations and the establishment of Jewish settlements. These have accelerated in recent years. Through 1984, Benvenisti estimated that the government had control over 31 percent of Gaza Strip land; by 1986, the state had assumed possession and/or control over 51.1 percent.[53] Between 1986 and 1990, the amount of area under Israeli control increased to approximately 58 percent, largely due to confiscation.[54]

The acquisition of land in the Gaza Strip (and West Bank) has been facilitated by the existence of certain British and Israeli laws formulated prior to the Israeli occupation. The Emergency Law of 1945 and the Law of Closed Areas (1949) has enabled occupation authorities to close off any area of land for military maneuvres for undefined periods of time. The Law of Security Areas similarly has allowed the confiscation of land for security reasons, forcing residents to leave the land. The Law of Taking Action (1953) states that if lands are not cultivated or used by their owners, the government has the right of repossession for defense and settlement needs. None of these laws and the powers they endow have been subject to any form of judicial review by Israeli courts; all are in violation of international law as set down in the Geneva Convention of 1949. Once the Israeli occupation began, a series of military orders further facilitated the acquisition of land in the Gaza Strip by amending those laws legislated prior to 1967. These orders empowered the government to (1) administer all lands registered as state lands before 1967; (2) seize privately owned land for military purposes; (3) close areas for training purposes; (4) repossess land belonging to Jews before 1948; (5) expropriate land for public purposes; and (6)

seize land by declaring it state land. State land declarations view all land as "national patrimony" and consequently require Arab claimants to prove ownership. Furthermore, under this strategy, lands that are uncultivated and unregistered are more vulnerable to seizure.[55]

Portions of the confiscated land were turned over to Jewish settlements. In 1971, only one civilian settlement, Kfar Darom, was established in Gaza; however, following the suppression of all Palestinian resistance in 1971, five additional settlements—Netzarim, Morag, Eretz, Katif, and Netzer Hazani—were set up. They began as paramilitary outposts or *nahal*s, which were first inhabited by soldiers who prepared the physical infrastructure for the settlement sites while fulfilling their military duty.

Prior to 1978, settlement activity in the Gaza Strip remained limited as the Labor government pursued a policy of containment, preferring to surround rather than implant the territory with an Israeli civilian presence. By 1978, thirteen such settlements had been built as a buffer zone at Gaza's southern border in northern Sinai. With the installation of the right-wing Likud party, the scale of settlement increased although fundamental policies did not change. Following the Camp David Accords, which raised the specter of Palestinian autonomy, Israel's settlement strategy shifted to a focus on two new objectives: (1) to create a strong Israeli presence in the Gaza Strip that would make it difficult for the Palestinian communities to form an independent state in the event of future negotiations; and (2) to isolate Arab communities from each other physically in order to minimize the possibility of unified political action. In these objectives, the government was largely successful. The border settlements were removed and between 1978 and 1985, eighteen new settlements housing 2,150 people, spaced at more or less regular intervals between the territory's largest population centers, were established in four regional blocs along or near Gaza's coastline.[56] By 1991, the population had increased to 3,500.

By 1993, sixteen such settlements (two had been left due to the intifada) housed 4,000 Jewish settlers, a mere 0.5 percent of Gaza's population. Yet Israel granted this tiny community use of at least 25 percent of Gaza's land; whereas Gaza's 830,000 Arabs had 224,5000 dunums, its 4,000 Jews had 91,000 dunums.[57] Therefore, every Jew in Gaza was allowed 23 dunums, whereas each Arab inhabitant was given 0.27 dunums (see table 7.6).[58] There were 85 times as many people per dunum among Arabs than among Jews in 1993.

The disparities in land allocations between Jews and Arabs are mirrored almost surrealistically in the physical contrast between residential areas. In many Jewish settlements, rows of neatly aligned red-roofed houses enhanced by modern street lights, sidewalks, red brick driveways and carefully manicured lawns appear pristine and serene. Some have swimming pools, palm trees, and riding stables. All are surrounded by electrified security fences or concertina wire, as if to insulate them from the sprawl and squalor of the rest of the Strip.[59] In Palestinian areas, by contrast, overcrowded, decomposing refugee camps dominate. Dilapidated houses appear crammed together absorbing every inch of avail-

Table 7.6. Land Use in the Gaza Strip by Ethnic Group (in dunums)

group/land use	*1983*	*1986*
Palestinian		
Built-up areas	50,000	56,500
Agriculture-Cultivated land	200,000	168,000
Total	250,000	224,500
Israeli		
Jewish settlements		
Land allocations	32,300	37,000
Land leased to settlers	58,000	54,000
Other (state-controlled)	23,500	49,500
Total (state/settler)	113,800	140,500
Gaza Strip Total	363,800	365,000
Palestinian land use/ Gaza Strip total	68.7%	61.5%
Israeli land use/ Gaza Strip total	31.3%	38.5%

Source: Calculated from Meron Benvenisti and Shlomo Khayat, *The West Bank and Gaza Atlas* (Jerusalem: Jerusalem Post Press, 1988), pp. 112–13.

able land. Most of Gaza's roads are sand and dirt that easily turn to mud in the rain. Sewage flows on many streets and garbage is a prominent feature of the urban landscape. The sense of physical decay is pervasive.

The increasing absorption of land by the state and the installation of Jewish civilian settlements have had a considerable effect on Gaza's de-development. Land confiscations have removed viable agricultural lands from Palestinians and their economy, displaced people and their resources, weakened linkages, and caused massive overcrowding (and with it, various social and economic ills). Settlements have broken up areas of contiguous Arab settlement and bifurcated private farmers' agricultural lands with roads and other infrastructure.

Population density is perhaps the most visible outcome of Israel's land and settlement policy. On lands available for use by the Arab population, population density was over 14 times greater in 1986 than it was in 1945 (see table 7.7). Between 1966 and 1986, population density for the entire Strip increased by 58 percent. Between 1986 and 1993 alone, it jumped another 31 percent. (See table 7.8).

Table 7.7. Population Density in the Gaza Strip

	1945 Gaza Strip localities	*1986 Gaza Strip*	*% change*
Total Area (in dunums)	367,000	365,000	-0.5
Total Area Available to Palestinian Population (in dunums)	367,000	224,500	-39.0
Population	71,500	633,600	786.0
Dunums/Person (total area)	5.1	0.576	-89.0
Persons/Dunum (total area)	0.195	1.74	790.0
Dunums/Person Available to Palestinian Population	5.1	0.354	-93.0
Persons/Available Dunum	0.195	2.82	1350.0

Source: Calculated from tables 3.1 and 7.6.

In both 1986 and in 1993, population density for the Gaza Strip more than doubled when calculated on the basis of Arab-owned land alone (see table 7.8). Density levels calculated on the basis of total area are completely misleading, especially when compared to those obtained in Arab built-up areas, notably the refugee camps. In 1993, such comparisons revealled that population density was more than 33 times greater in the camps than in the territory as a whole.

Population density figures for camp and non-camp residents are also quite dramatic. Whereas the camp residents comprised 28.7 percent of the total Arab population in the Gaza Strip in 1986, they lived on only 7.2 percent of the total Arab built-up area. Table 7.8 indicates that population density averaged 115,924 people per square mile in the camps compared with 22,434 people per square mile outside the camps. In 1993, the population density in Gaza's camps rose to 197,070 people per square mile and was 9.6 times that of the non-camp population.

Comparisons with other areas of the world underline the gross overcrowding in the Gaza Strip. Gaza has one of the highest population densities in the world: 5,929 people per square mile (overall). The comparable figure for Israel was 543; for the Middle East as a region, 55; for the United States, 68; for China, 294; and for India, 642. Only the densities of Singapore and Hong Kong (6,734 and 14,763 per square mile, respectively)[60] exceed Gaza's, although not if one considers Arab built-up areas alone.

By contrast, Jewish built-up areas in Gaza had 282 people per square mile in 1993.[61] Thus, each Jewish settler in Gaza had 73 times more land to live on than every Palestinian living in built-up areas outside the camps, and 699 times more land per capita than each camp resident. Moreover, if density levels

on lands available to each ethnic group are compared, there are, conservatively speaking, 115 people per square mile of Jewish land in contrast to 9,640 people per square mile of Arab land.

Density in the camps is directly tied to land shortage. Table 7.9 shows that the total area available to camp population declined by 46 percent between 1961 and 1986, with the largest decline (30 percent) occurring between 1961 and 1973. The Gaza Plan does not state the reason for the decline in land. However, it is most likely due to land confiscations by the government. The land available to the camp population—1.57 square miles or 4,084 dunums—represents the area considered "usable" by the Gaza Plan. According to the Gaza Plan, Deir el-Balah camp, which is located on the seashore, is considered unfit for human habitation; the plan recommends its complete evacuation. Consequently, the 156 dunums (39 acres) that today comprise the Deir el-Balah camp were not even factored into the total camp area in the Gaza Plan estimates.

The direct contribution of settlement to Palestinian population density can actually be measured. Assuming the area of inhabitable land was the same

Table 7.8. Population Densities in the Gaza Strip

year	*population*	*area (square miles)*	*population density (persons/sq. mile)*
1966	400,000	140 (total)	2,857.0
1986	633,600	140 (total)	4,526.0
		68.5 (owned by Arabs)	9,250.0
		86.1 (available to Arabs)	7,359.0
		21.7 (Arab built-up areas)	29,198.0
	451,600	20.13 (built-up areas/non-camp residents)	22,434.0
	182,000	1.57 (built-up areas/camp residents)	115,924.0
	2,500	34.9 (allocated and leased to Jewish settlers)*	71.6
	2,500	14.2 (Jewish built-up area only)	176.0
1989	750,500	140 (total)	5,361.0
		68.5 (owned by Arabs)	10,956.0
		86.1 (available to Arabs)	8,717.0
		27.0 (Arab built-up areas)	27,796.0
	489,700	25.43 (built-up areas/non-camp residents)	19,257.0
	260,800	1.57 (built-up areas/camp residents)	166,115.0
1993	830,000	140 (total)	5,929.0
		68.5 (owned by Arabs)	12,117.0
		86.1 (available to Arabs)	9,640.0
		27.0 (Arab built-up areas)	30,741.0
	520,600	25.43 (built-up areas/non-camp residents)	20,472.0
	309,400	1.57 (built-up areas/camp residents)	197,070.0
	4,000	34.9 (allocated and leased to Jewish settlers)*	115.0
		14.2 (Jewish built-up area only)	282.0

* Does not include other state-controlled lands.
Source: Calculated from tables 7.6 and 7.9.

Table 7.9. Areas of the Gaza Strip Refugee Camps for Selected Years (in dunums)

camp	*1961*	*1973*	*1986 (maximum)*	*1986 (minimum)**
Jabalya	1558	1404	1404	1404
Shati	515	519	519	515
el-Nuseirat	1070	558	559	279
el-Bureij	955	518	528	259
el-Maghazi	844	599	591	300
Deir el-Balah	270	155	156	0
Khan Younis	561	549	549	549
Rafah	1759	978	978	778
Total	7532	5280	5284	4084

Source: The Gaza Plan, table 17.5; UNRWA, *Area and Population of the Camps in the Gaza Strip* (Gaza Strip: UNRWA, 1988); and UNRWA, In-house study, Gaza Strip, 1989.
* The minimum forecast is the area Israeli planners estimated could actually be used.

during Egyptian and Israeli rule (140 square miles), then density levels in 1966, 1986, and 1993 went from 2,857 to 4,526 to 5,929. Measured this way, the difference between them is a function of population increase only. However, if only the land allotted and leased to Jewish settlers is subtracted out (35 square miles), then population density based on total land area increases to 6,034 in 1986 and to 7,905 in 1993. Consequently, Jewish settlement policies *alone* increased the density level among Arabs by 1,976 people per square mile in 1993.

Israel's occupation has been distinguished by the conscious and consistent expropriation of land from Gaza's Palestinian sector and subsequent donation to the miniscule Jewish sector and state control generally. Land confiscation has played a pivotal role in Gaza's de-development. Under the weight of an expanding population competing for a decreasing amount of land, for example, Gaza's physical infrastructure—houses, roads, sewage systems—has suffered marked deterioration, especially in the absence of structural improvements. Deterioration in turn has had a direct impact on Gaza's economic infrastructure, exacerbating Gaza's inability to integrate its own labor force. Moreover, although Jewish settlements remain economically isolated from local economic activity, they impinge on that activity in at least four crucial ways: by expropriating and then incorporating Arab land into their own physical boundaries[62]; by consuming indigenous water resources[63]; by denying work opportunities to all but a handful of the local labor force, a vestige of the old idea of employing exclusively Jewish labor; and by the gross disparities in public and private sector funding for economic development.

In the Gaza Strip, with its acute population density and limited resources, the deliberate confiscation of land, like water, is not as much an

expression of economic aim as of political and ideological conviction. Its goal is to support the expansion of a Jewish settler community on Arab land in order to institutionalize Israeli state control and eclipse the possibility of establishing Palestinian sovereignty over those lands. That land confiscation is an act of deliberate dispossession is clear from the gross differences in population densities between the Arab and Jewish sectors and from the apparent refusal of the state to make needed land allocations to the Arab sector for purposes of supporting an expanding population through infrastructural development and for the expansion of Palestinian agriculture and industry.

Indeed, one example of how Israeli land policy dispossesses Arabs is found in the Gaza Plan. In 1986, Israeli planners estimated that a *minimum* of 17,113 dunums would have to be made available to the Palestinian community to meet the basic needs of a growing population through the year 2000.[64] Of this, 13,600 dunums were needed for schools, health facilities, sewage systems, and refugee rehousing. Continuous land confiscations from the Arab sector since 1986, however, suggest that Israel had little intention of following its own planners' recommendations. In fact, the Gaza Plan indicated that the 17,113 dunums required by the Arab sector would have to be met, in large part, through the seizure of privately owned land. The terms of the Gaza–Jericho Agreement, which allow Israel to retain broad authority over all land and full control over the disposition of state lands, zoning, and Jewish settlements, do not suggest any substantive changes in the allocation of the Strip's land.

The Housing Crisis and Refugee Resettlement

The impact of land expropriation and its contribution to de-development is illustrated in Israel's failure to provide adequate housing in the Gaza Strip. Without a physical place to live, people will leave, a quintessential form of dispossession.

The Gaza Strip clearly suffers from a severe housing crisis and has for many years. The Gaza Plan estimates that by the year 2000, the population will reach 957,500. Approximately 555,300 people will be refugees. Of these, only 186,000 or 19.4 percent will be camp residents, although the majority of camp dwellers will be refugees.[65] In the 10 years between 1976 and 1986, for example, an average of 1,940 housing units were begun per year (with the number declining in recent years), whereas the number of new families created each year in the Gaza Strip averaged 5,000. Theoretically, therefore, only 39 percent of Gaza's new families could obtain housing in any given year; the remaining 61 percent had to live in the Strip's already overtaxed housing, which includes many of Gaza's poorest slums (e.g., Zeitoun, Daraj, Sajaia), or in illegally built homes. Housing density is therefore high. Between 1983 and 1986, the percentage of Gaza Strip households with more than three people per room, the international criterion for overcrowdedness, increased from 36.2 percent to 41.5 percent, indicating a deterioration in local living standards. In Israel, by con-

trast, only 1 percent of Jewish households had more than three people per room.[66] Camp shelters are the most cramped. Although they range in size, 67 percent of all camp shelters contain three rooms or fewer; 64 percent are inhabited by seven to twelve people.[67]

Housing density has been exacerbated by a decrease in the number of houses built. Between 1979 and 1988, there was a significant and absolute decline in completed housing as well as in the number of houses started.[68] Another interesting finding emerges from the number and size of housing units constructed in the Gaza Strip between 1979 and 1987. Although the number of units begun and completed declined, the average number of rooms per unit and the average size of each unit grew.[69] This pattern of fewer but larger housing units is not indicative of decreasing housing density, but rather of growing social disparity between the haves and have-nots in the Gaza Strip.[70]

Another striking indicator of the territory's housing crisis is that between 1968 and 1986, of all buildings completed in the Gaza Strip, 85 percent were residential and 15 percent nonresidential. Of all completed buildings, only 4 percent to 5 percent were government funded.[71] It should also be noted that residential housing provided through the refugee rehabilitation program (see below) comprised 31 percent of all residential building in the Gaza Strip annually through 1987.

If trends remain the same, 84,000 families will have been added to the Gaza Strip population by the year 2000, but only 27,000 additional housing units will have been built. Of these, says the Gaza Plan, the military government was expected to construct 8,600 units for refugee families, or 32 percent of the total units built, which translates into homes for only 10 percent of all the families added by the turn of the century.[72] Given that projected requirements for rehousing in the Gaza Plan were based on camp population estimates that were far lower than those made by UNRWA—a difference of at least 81 percent—one can assume that any upward adjustment in actual population growth rates would strain the system even more, aggravating overcrowding and population densities, infrastructural stress, and health problems, infant mortality, and poverty.

The failure to provide adequate housing in Gaza as of 1994 lies in large part with the government of Israel. It derives not only from the enormity of the task and the natural constraints of the environment but also from policies that assign little value to the economic needs of the non-Jewish population and even less value when those needs conflict with the state's primary interests. The acute housing crisis has arisen due to the government's failure to provide public housing, restrictions on private construction, and control of municipal and extra-municipal zoning, which in part remains with Israel under Palestinian limited self-rule, and urban planning. All of these failures have been fueled and aggravated by repeated land confiscations that have left Gazans little building room. The government has not taken any steps to alleviate this crisis. The only housing program undertaken by the Israeli authorities was the refugee resettle-

ment program. It is the contention here that far from being a benevolent effort in the public interest, official refugee resettlement programs in fact represented just another form of dispossession.

The refugees' need for housing is greater than any other sector in Gaza. In the camps, refugees live in three kinds of shelters: those built by UNRWA, those built by the occupants with UNRWA materials, and those built by the occupants with permission from UNRWA's engineering department. In 1950, camp shelters were built with the agreement of the Egyptian government, which imposed a variety of restrictions on their construction. For political reasons these shelters were meant to be temporary, and so their structure could not demonstrate any intention of permanency.[73] Consequently, shelters could not have solid foundations or attached roofs. Refugees could not build with reinforced concrete, corrugated steel, or asbestos. Typically, shelters were built with cement block walls and cheaply tiled roofs; as a result, dwellings were left partially exposed to the elements. Finally, shelters could have no more than one floor; any expansion had to be horizontal, not vertical.

Today, most of these same physical injunctions remain in place although they have long since lost their political anchor. All sense of the temporary has vanished, leaving people to contend with the objective and prosaic difficulties of the present. As families grew, any space between shelters was used for housing extensions, leaving narrow streets and snakelike alleyways as the only urban boundary between them. The original UNRWA units remain largely unchanged; after more than forty years, most are in extremely poor condition. On average, three to four people live in each room. A typical room in a refugee shelter is between 9 and 12 square meters of inhabitable area. Per occupant, the inhabitable area can be as little as 2 square meters or as much as 20.[74]

Although most shelters have water and electricity connections, environmental sanitation is perilously substandard, which poses a grave public health risk. Pit latrines, for example, commonly serve as toilet facilities, a form of disposal that is hazardous because excreta soak into the soil around the pit. A confidential study commissioned by UNRWA in 1988 described the following:

> Stormwater, and domestic wastewater from cooking and washing, flows in and from the camps along networks of open channels in the roads and pathways. The drainage channels are sometimes also used for disposal of excreta from those shelters where latrine is filled to capacity. This is a very insanitary practice: contact between the refugees and the excreta should be avoided, and the drainage channels should be used only for rainwater and wastewater. Most channels are formed in the concrete surfaces of the access lanes, but in some camps the wastewater finds its own channels along "natural" drainage routes. Water can drain freely away from the camps that are located in hilly sites in the West Bank, but pools of stagnant water can develop in the flatter sites in the Gaza Strip.[75]

The sewage system, also meant to be temporary, has remained largely open and exposed, a common and extremely unsanitary playground for children, espe-

cially in the summer.[76] According to one official, UNRWA's decision finally to address the problem of open sewers beginning with Jabalya camp was in part political, based on the acknowledgement "that the [refugee] situation is no longer temporary."[77]

Given these conditions, one could argue that resettlement projects represented a serious effort by the Israeli government to provide housing for the refugees. The government's program to rehouse Gaza's refugees technically began in 1971 but did not get fully underway until 1972. Rehousing was promoted as an opportunity "to improve considerably the living conditions of refugee camp residents and to develop social and community services for them."[78] Through such efforts, the government aimed to have "a positive effect on the remodelling of society in deprived areas of the Gaza Strip."[79] The housing projects were located just outside municipal boundaries near the camps. However, by virtue of their growth and expansion, the projects eventually spilled over into the neighboring municipality where they were legally incorporated. Master plans for some of these areas reflect intentions to design nineteen "housing estates."[80]

The lands allocated to rehousing projects were primarily, if not entirely, unregistered lands that became state property. In the first three to five years of the program, the government built and sold housing units at subsidized prices and leased the land to the owners for ninety-nine years. After 1975, when this arrangement became too expensive for the government to sustain, owners had to pay for materials and construction although they still leased the land at the same ninety-nine-year rate. In some instances, the government gave refugees mortgages to supplement construction costs. Owners were also responsible for linkage to the Israeli electrical grid and connection of water services. In some cases, refugees built their own homes; in others, they hired contractors or the government to do it for them.

Given the financial incentives offered by the government, especially in the early phase of the program, many refugees could have afforded to move. But financial solvency was far outshadowed by three critical political criteria refugees had to meet to qualify for resettlement. Upon acceptance to a project, the refugee had to (a) submit a written statement denouncing his status as a refugee and dropping all claims as such; (b) start construction within six months or lose entitlement to the new plot of land, as well as to his original camp shelter; and (c) demolish his camp shelter. Refugees who failed to demolish camp shelters before moving had to pay an extra $5,000 to the government to do it for them.

Although the Israelis consistently maintained that it was not their intention to change the refugees' status in any way, no refugee wishing to participate in the government housing program could in fact do so without technically renouncing his status. One UN official explained that by providing new housing outside the camps, "the Government could claim the people are resettled in permanent homes,"[81] and that the refugee problem had been resolved. Hence, the real bone of contention between Israeli officials and Palestinian refugees

was not the provision of better housing by the former, but an alteration in or the denial of political and legal rights to the latter.

That Israel's motives fall into the second category is clear from the policy toward evacuated shelters. Departing refugees had to destroy their shelters. Once they left, the destroyed shelters became state property and were sometimes used as military outposts. The destruction of shelters reflected an intent to eliminate camps and with them, the possibility that Israel would ever have to contend with refugee claims. If this were not the intent, the government would have responded to rational analyses such as that of a defense ministry report issued in 1975 that stated: "despite 1,500 new housing units which have already been constructed for refugees . . . the camps are still overcrowded, and services far from satisfactory."[82] UNRWA had repeatedly requested use of demolished shelters, because they were sometimes larger, in better condition, and easier to rehabilitate than existing shelters. However, the government consistently refuses such requests and turned a deaf ear on UNRWA proposals to let cramped refugees move to larger demolished shelters and exchange their smaller, evacuated shelters for government use. Similarly, camp shelters that sat on state-owned or privately owned land could not be structurally altered without government approval. Because approval required a lengthy application process, many people began expanding before they obtained official permission. The government considered this illegal; if discovered, the entire house could be confiscated and/or demolished.[83]

The political nature of the refugee resettlement program was made clear by Moshe Dayan in 1971 in his attempt to normalize conditions in the Gaza Strip. Dayan defined the crux of the problem and the basis of a solution: "The critical question . . . is the refugees. We hope that within a couple of years they will be living on an equal footing with the non-refugee population and will no longer think of themselves as refugees."[84] For Dayan, refugeeism was an economic and social stigma that needed to be removed[85]; the refugee and the working man, he said, were mutually exclusive beings. Consequently, Dayan's attempt to change that status could only be interpreted politically. The political denuding of the refugee that Dayan not only sought but deemed possible through economic means appeared twenty years later to be an important objective of the government's resettlement program.

The resettlement program originally began as a rehousing scheme for refugees displaced by Ariel Sharon's "thinning out" operations in the Gaza camps during his campaign against the Palestinian resistance movement in 1971. At that time, 80 percent of the people displaced refused to accept the new housing offered by the authorities and decided to find their own instead.[86] Not long after the program went into effect, the government made clear its long-range goal of turning such rehousing efforts into a full-scale program of "rehabilitation" that would transform the refugee camps into autonomous municipal units so that, in the words of one Israeli official, "in three or four years' time there will be no refugee camps as we know them in Israeli-administered territories."[87] In No-

vember 1976, the UN General Assembly voted overwhelmingly to call on Israel to halt refugee resettlement in the Gaza Strip and return all Palestinian refugees to their former camp houses.[88]

The authorities have always claimed that the resettlement program is humanitarian and aims to provide more and better housing, thereby improving local living standards. Political objectives aside, how successful have government efforts been when measured against stated goals? Data from the military itself, extrapolated to the year 2000, explicitly reveal failure when measured in terms of the number of families rehabilitated, population density in the camps, housing density within the government projects, and their infrastructural condition, all of which are tied to the limited amount of land made available for government rehousing.

Gaza has twenty Israeli government housing projects, twelve in which the houses were built by the government and eight comprised of houses built by refugees. The standardized housing units generally have two rooms, sometimes three, and only rarely four, not unlike many camp shelters. These structures are more permanent than camp shelters. They are also more expandable: owners can add two to three floors with municipality approval. Average lot size is 150 square meters (living space and courtyard space).

UNRWA indicates that by February 1989, only 9.2 percent of the total registered refugee population was living in government housing projects, which also represented 7.17 percent of all refugee families. Figures from the Gaza Plan reveal that between 1972 and 1986, close to 8 percent of total refugee families were rehabilitated, with 80 percent leaving after 1975.[89] However, government data also indicate that of the 49,518 people who had departed the refugee camps by 1986 (a number that includes natural growth), 86.5 percent did so through the government rehousing program, whereas the remaining 13.5 percent did so of their own means. Thus, it would appear that the major force propelling people out of the camp system has been the government's housing program.[90]

Although rehousing efforts were comparatively brisk during the second decade of Israeli rule, the pace of rehabilitation could not keep up with the natural growth of the refugee population. The Gaza Plan estimated that even if official efforts excluded new refugee families and focused on the current (1986) 33,000 refugee households only, rehabilitation work would have to continue an additional fifty-four years.[91] Thus, it comes as no surprise that the population of the refugee camps did not decrease as a result of government rehousing efforts; in fact, not only did population size continue to grow and densities remain the same, but future rehabilitation efforts were expected to *exacerbate* conditions in the camps. The Gaza Plan explains:

> Rehabilitation projects were accomplished in the past through the construction of new neighborhoods close to the refugee camps on land that belonged to the state. However the state has almost no available land left

> in the Gaza Strip that can be used for the rehabilitation of the refugees. Therefore, any solution for the refugees in the camps will have to be *implemented on the land of the camps themselves*, perhaps with some additional, adjacent land that will be acquired for that purpose.[92]

Judging by the available area within the refugee camps and the population densities therein, it is difficult to imagine how the problem of increasing density among refugees could be solved within the extremely limited area of the camps, especially considering that half the land in the three middle camps is privately owned, and none of the land currently used for housing in the Deir el-Balah camp is suitable for such purposes. Moreover, this suggestion appears to contradict the Gaza Plan itself, which states that rehabilitation efforts will lower the growth rate in the camps. This certainly would not be the case if people were rehabilitated within the camps. The Gaza Plan indicates that in existing master plans, some of the land area in specific refugee camps is designated for open spaces, not housing. The authors assumed that this land could be used for housing purposes, but because open space land is considered more valuable than lands allocated to housing, "other land will be found for this [housing] purpose either through purchase or seizure."[93] The Plan goes on to conclude:

> The rehabilitation activities of the civil administration involve giving a refugee a unit of land on average 150 square meters for purposes of building a house. This means 6.5 housing units per gross dunum or 3.2 units per net dunum, that is, after space for roads, public institutions and unused area has been taken into account. Under this condition of density and given the available land in the camps, it would be theoretically possible to rehabilitate only 13,700 families or 41% of the total families in the camps.[94]

The government has repeatedly asserted that no state lands are available for continued rehousing; large tracts of state land have consistently been allocated to Jewish settlements. The failure of the resettlement program to provide housing to sufficient numbers of refugees is paralleled by the poor quality of the housing provided. There is no doubt that in their infancy, the new government-sponsored "neighborhoods" represented a qualitative improvement over camp life. By the mid-1980s, however, any difference between government housing and the refugee camps had largely disappeared, and with it any meaningful improvement in the refugees' economic conditions. The reasons are several and they are all linked to the denial of land use by the government. First, high population densities and declining land area have made it impossible for the camps to accommodate additional people. Any surplus population is forced to leave and a certain percentage flow into the "new neighborhoods" created nearby. Second, because government housing projects were designed for a specific and finite population size—one lot is suited for one family of 5.5. people—the constant addition of people to a fixed lot size and the natural increase of the resident population have increased population densities within the housing projects to the point where physical conditions, especially the carrying

capacity of the infrastructural systems, have been seriously damaged.

One example of this phenomenon can be found in Sheikh Radwan, a government housing project in the Gaza City municipality. Given the extreme overcrowding of the area, the sewage system, built to accommodate a much smaller population, cannot absorb all the wastes put into it. Periodically, sewage backs up into the streets and common areas of the project. It is quite common to see children playing in raw sewage, which they often fall into and sometimes ingest. "Of course," state the authors of the Gaza Plan, "one could have put in larger sewer pipes, but this would have involved much larger investments or, in view of budgetary limitations, it would have meant finding a solution for many fewer families."[95] The idea of placing more land at the disposal of the Arab population in order to avoid such a zero-sum outcome appears not to have been considered.

The high population densities of the housing projects are matched only by the dense coverage of land area. This phenomenon distinguishes these "neighborhoods" from the refugee camps; indeed, in some respects, it makes them less suitable places to live. Again, the Gaza Plan explains why:

> Plots averaging 150 square meters, with a building set back of 1 meter are tolerable when the buildings are one or two stories. However, if buildings of 3 or 4 stories are built on the plots, the density becomes intolerable. There are many examples throughout the world of this phenomenon of blighted neighborhoods with tall buildings. If this intolerable density is added to the phenomenon of infrastructure systems which cannot carry the population, the conditions are in place for the creation of distressed, neglected neighborhoods. Moreover, such neighborhoods are even harder to rehabilitate because of the difficulties in razing multi-story buildings.[96]

In some parts of the Gaza Strip, government housing projects and neighboring refugee camps have become almost indistinguishable. Furthermore, the unavailability of land for physical expansion has actually propelled some refugee camps outward to envelop nearby housing projects, further blurring any social or economic distinctions between them. Jabalya camp and the Beit Lahia housing project, for example, have become virtual extensions of each other.

In summary, the government resettlement program was not a genuine effort to provide housing to a majority of the population who desperately needed it, but rather a political attempt to eradicate the refugee presence and the political responsibilities it carried. As such, the resettlement effort, if anything, represented a deliberate restriction of residential opportunity, not a genuine solution to a crisis.

The failure to provide adequate housing for a people is a quintessential form of dispossession. The failure to provide enough physical living space not only constitutes the denial of tangible economic resources but also of something less measurable but possibly more profound—national identity. Without space to accommodate a growing population, physical structures decay. Without a physical place in which to live, people leave.

Public Finance

Public finance is a key measure of government policy toward development in the Gaza Strip and a revealing measure of resource expropriation and dispossession. Public finance, or the level of government services (expressed monetarily) provided to area inhabitants, is measured in two ways: public expenditure (or consumption) refers to the level of services provided inhabitants; and public investment (or output) refers to the cost of creating physical infrastructure and other fixed assets. The former is expressed in the ordinary (or regular) budget; the latter, in the development budget.

Gaza's ordinary budget is a revealing measure of Israeli priorities. Government consumption expenditure is primarily composed of the budget of the Israeli civil administration (including spending by local authorities), which covers salaries of both local and Israeli employees and the operation and administrative costs of local social services. Table 7.10 indicates that for the years 1984–86, education and health combined accounted for over two-thirds of the regular budget expenditure, followed by welfare. The agricultural and industrial sectors absorbed a negligible percentage of government expenditure in those years, standing at 2.4 to 2.5 percent and 0.3 percent, respectively. In 1986, critically needed water exploration in the Gaza Strip qualified for only 0.1 percent of total expenditure (as did energy), less than the monies spent to run the governor's headquarters in Gaza City.

Table 7.10 Civil Administration—Gaza Strip Regular Budget Breakdown for Selected Years ('000 NIS)

	1984		*1985*		*1986*	
	NIS	*% of total*	*NIS*	*% of total*	*NIS*	*% of total*
TOTAL	15073	100.0	31145	100.0	68248	100.0
1. Civil Adm. HQ	215	1.4	562	1.8	940	1.4
Governor's HQ					428	
Subdistricts					146	
Dept of Inform					88	
Bureau					278	
2. Office of the Prime Minister	76	0.5	137	0.4	308	0.5
Main Services					286	
Bureau					22	
3. Ministry of Finance	513	3.4	1631	5.2	3550	5.2
Head Office					688	
Dept of Income Tax					429	
Dept of Customs					656	
Administration					947	
Personnel					368	
Internal Supervisor					86	
Head Office					110	
Bureau of Income Tax					129	
Customs Bureau					137	
4. Ministry of the Interior	310	2.1	689	2.2	1563	2.3
Head Office					1089	
Fire Extinguishing					168	
Bureau					306	
5. Ministry of Justice	384	2.6	806	2.6	1690	2.5
6. Ministry of Education	5293	35.1	10325	33.2	22411	32.8
7. Ministry of Religion	97	0.6	201	0.6	422	0.6
8. Ministry of Energy	12	0.1	28	0.1	60	0.1
9. Ministry of Labor	304	2.0	623	2.0	1335	2.0
Head Office					435	
Cooperative Services					17	
Vocational Training					753	
Supervision of Labor					23	
Employment Bureau					107	

	1984		*1985*		*1986*	
	NIS	*% of total*	*NIS*	*% of total*	*NIS*	*% of total*
10. Ministry of Health	5619	37.3	10893	35.0	24003	35.1
11. Ministry of Welfare	948	6.3	2548	8.2	5518	8.1
Head Office					977	
Institutions for Juvenile Delinquincy					119	
Relief-Needy					3451	
Community Work & Rehab					635	
Youth Employment Projects					336	
12. Ministry of Agriculture	363	2.4	769	2.5	1620	2.4
General					1103	
Control, Spraying and Inspection					185	
Water Exploration					70	
Bureau					262	
13. Ministry of Trade and Industry	47	0.3	98	0.3	206	0.3
14. Ministry of Transport	105	0.7	224	0.7	517	0.7
15. Public Works and Surveying	107	0.7	266	0.9	570	0.8
16. Ministry of Communication	595	3.9	1175	3.8	663	1.0
17. Appointee on Gov't. and Abandoned Property	85	0.6	170	0.5	358	0.5
18. Refugee Rehabilitation	0	0.0	0	0.0	250	0.4
19. Reserve for Wages and Acquisitions	0	0.0	0	0.0	2264	3.3

Source: State of Israel, *Proposed Budget for the West Bank and Gaza Strip, 1986*; idem., *Proposed Budget for the West Bank and Gaza Strip, 1988*; and West Bank Data Base Project, *Budgetary Data*, Jerusalem, 1989.

Note: The actual budget for FY1986 allocated NIS 20 to the reserve for wages and acquisitions.

The development budget is even more indicative of official priorities. Between 1983 and 1987, the development budget of the Gaza Strip reveals little change in the share of government investment despite small increases in real levels. For example, Table 7.11 shows that the development budget accounted for an average share of 17.6 percent of Gaza's total budget between 1984 and 1988. However, the development budget of the Gaza Strip accounted for only 3.5 percent of total expenditure in the occupied territories in 1986, which was less than the total amount expended on the police force in the occupied territories (see table 7.12).

Table 7.13 shows that despite an increase in Gaza's total development budget through 1987, only 11 categories were slated for investment in the Gaza Strip between 1983 and 1987. Three areas crucial to productive economic development—industry, land, and water—are conspicuous by their absence (although the Gaza Plan indicates an average expenditure on the development of water resources of NIS 1.4 million in the 1980s). Housing is also absent, whereas agriculture accounts for only 0.4 percent. Other low-priority areas during this period were welfare (0.6 percent), roads (2.3 percent), and infrastructure/public works (6.7 percent).

The official position against productive investment stands in sharp contrast to those consumption-based areas that receive the most support: municipalities, education, and health. Although such social services are no doubt indispensable, they do little to alter the structural status quo. Moreover, the lack of infrastructural development, especially within the economic domain, further impedes any possibility of innovation and structural transformation in other sectors. In this regard, despite the relatively large investments made in education (school construction) and health (construction of new facilities), only 0.1 percent of the development budget was apportioned for professional development between 1983–87, the lowest of all investment categories. Once the intifada began, not only were the gains derived from increased budgets quickly reversed, but the development budgets of the Gaza Strip and West Bank were frozen in 1988 and eliminated altogether in 1989.

The sources of income for the regular and development budgets of the Gaza Strip also illuminate the economic relationship between Israel and Gaza and government policy toward Palestinian economic development. Table 7.11 clearly shows that regional income, or internal revenues in the form of collected taxes, financed the overwhelming share—averaging 70 percent—of the budget between 1984 and 1988. The remaining deficit was covered by two sources: transfers from the Israeli state budget and transfers from the deduction fund, also known as the *keren hanikuyum*,[97] deducted at source from Gazan laborers employed in Israel. These sums are national insurance fees that equal 20 percent of the worker's gross wage, the same percentage as that deducted from Israeli workers' wages. However, Palestinian workers are only eligible for only 2 percent of this insurance deduction, whereas Israelis are

Table 7.11. Total Budget of the Gaza Strip by Destination and Source, 1984-1988 (in 000s)

	1984[a]			*1985*[b]			*1986*[c]			*1987*[d]			*1988*[e]		
	NIS	$	%	NIS	$	%	NIS	$	%	NIS	$	%	NIS	$	%
Destination															
Total Budget	18,198	36,396	100	36,308	29,519	100	78,730	52,487	100	108,770	65,921	100	146,937	79,425	100
Regular Budget	15,073	30,146	83	31,145	25,321	86	68,248	45,499	87	87,252	52,880	80	111,904	60,488	76.2
Wages	10,996	21,992	60	21,619	17,576	60	50,925	33,950	65	61,121	37,043	56	72,569	39,226	49.4
Operations	4,077	8,154	23	9,526	7,745	26	17,323	11,549	22	26,131	15,837	24	39,335	21,262	26.8
Development Budget	3,125	6,250	17	5,163	4,198	14	10,482	6,988	13	21,518	13,041	20	35,033	18,937	23.8
Source															
Total	18,198	36,396	100	36,308	29,519	100	78,730	52,487	100	108,770	65,921	100	146,937	79,425	100
Regional	12,090	24,180	66	21,015	17,086	58	52,508	35,005	67	87,197	52,847	80	117,085	63,289	79.7
State Budget	6,108	12,216	34	15,293	12,433	42	26,222	17,482	33	21,573	13,074	20	29,852	16,136	20.3

Source: State of Israel, *Proposed Budget for the West Bank and Gaza Strip 1986*; idem., *Proposed Budget for the West Bank and Gaza Strip 1988*; and West Bank Data Base Project, *Budgetary Data,* Jerusalem 1989.

[a] $1 = 0.50 shekels
[b] $1 = 1.23 shekels
[c] $1 = 1.50 shekels
[d] $1 = 1.65 shekels
[e] $1 = 1.85 shekels

Table 7.12. Distribution of Expenditure and Income for the Budget of the Civil Administration (Gaza Strip and West Bank), 1986-1988 (in 000s)

	1986[a]			1987[b]			1988[c]		
	NIS	*$*	*%*	*NIS*	*$*	*%*	*NIS*	*$*	*%*
1. Expenditure — Total	301,440	200,960	100.0	382,821	232,013	100.0	561,048	303,269	100.0
Area of General Activity — Total	32,541	21,694	10.8	37,483	22,717	9.8	108,025	58,392	19.2
General	7,857	5,238	2.6	7,671	4,649	2.0	13,639	7,372	2.4
Refugee Rehabilitation	3,382	2,255	1.1	3,580	2,170	1.0	57,925	31,311	10.3
Police	15,744	10,496	5.3	19,939	12,084	5.2	30,188	16,318	5.4
South Lebanon (Peace for Galilee Aid)	5,558	3,705	1.8	6,293	3,814	1.6	6,273	3,391	1.1
West Bank	190,169	126,779	63.1	236,568	143,375	61.8	306,086	165,452	54.6
Regular Budget	147,784	98,523	49.0	186,654	113,124	48.7	248,904	134,543	44.4
Development Budget	42,385	28,256	14.1	49,914	30,251	13.1	57,182	30,909	10.2
Gaza Strip	78,730	52,487	26.1	108,770	65,921	28.4	146,937	79,425	26.2
Regular Budget	68,248	45,499	22.6	87,252	52,880	22.8	111,904	60,488	20.0
Development Budget	10,482	6,988	3.5	21,518	13,041	5.6	35,033	18,937	6.2
2. Income — Total	301,140	200,759	100.0	385,958	233,914	100.0	561,038	303,264	100.0
From Taxes	213,997	142,664	71.0	316,229	191,654	81.9	423,171	228,741	75.4
West Bank	161,489	107,659	53.6	229,032	138,807	59.3	306,086	165,452	54.6
Gaza Strip	52,508	35,005	17.4	87,197	52,847	22.6	117,085	63,289	20.8
State Participation (allocations from State Budget)	28,155	18,770	9.5	28,155	17,064	7.3	86,112	46,547	15.4
Deduction Fund	58,988	39,325	19.5	41,574	25,196	10.8	51,755	27,976	9.2

Source: West Bank Data Base Project, *Budgetary Data,* Jerusalem, 1989; and State of Israel, *Proposed Budget for Fiscal Year 1988.*

[a] $1 = 1.50 shekels

[b] $1 = 1.65 shekels

[c] $1 = 1.85 shekels

entitled to the full 20 percent. Israel maintains that the remaining 18 percent of Palestinians' deductions is allocated to development work in the occupied territories. Because of this, the deducted funds are transferred from the Employment Service to the Israeli Treasury and not to the National Insurance Institute, where Israeli deductions are sent.[98]

Not all deducted funds make it back to Gaza, however. In 1987, the State of Israel reported a total budget for the Gaza Strip of $65.9 million. Of this amount, $52.9 million constituted the regular budget and $13 million the development budget. Table 7.11 indicates that in that same year, close to $53 million of revenue was collected in the Gaza Strip. (Furthermore, between 1985 and 1987, the contribution of local incomes [collected from taxes] to the total budget increased from 58 percent to 80 percent, respectively, with a concomitant decrease in state participation.) The Israeli government contributed the remaining 20 percent to cover the resulting deficit. In 1987, Gazans employed in Israel paid $3.2 million per month to the Israeli government in direct taxes and social security, producing an annual figure of $38.4 million, well above the $13.1 million government contribution to Gaza's budget. Consequently, it appears that the Gaza Strip did not cost the Israeli taxpayer any money. Moreover, despite the real increase in the income tax component, no appreciable economic change occurred in Gaza. This situation did not change during the intifada when economic conditions deteriorated markedly although taxation increased significantly. Yitzhak Rabin, then defense minister, explained:

> the money of income taxes collected from the inhabitants of the Gaza Strip region working in Israel is not transferred to the civil administration's budget. That is because income tax (as in the whole world) is collected on a territorial basis, and therefore incomes derived from Israel cannot be linked with the Gaza Strip region.[99]

The Gaza Strip also contributed substantial sums to Israeli public consumption through what Benvenisti has termed the "occupation tax." Gaza's balance of payments focuses on what is termed government transfers. These transfers are indicated by credits and debits. Transfers reveal that the deficit of the military government is paid by the Israeli government (credit) minus deductions collected from Gazans working in Israel (debit). Since the late 1970s, deductions collected from Gazans have exceeded Israeli payments, resulting in net transfers of money from Gaza into Israel. Direct tax revenue from income taxes and transfers from Gazans to the Israeli government, for example, increased from $7 million in 1972 to $38.4 million by 1987. However, the revenue accruing to the state in the form of indirect taxation[100] must also be added. Between 1972 and 1987, visible indirect taxes on production in the Gaza Strip increased from $4 million to $15 million, for a total tax revenue of $53 million in 1987.

Thus, government revenues from the Gaza Strip exceeded the levels of government investment in the territory. Moreover, if the Israeli treasury had lost the Gaza market and Gazan laborers in 1987, it would have lost direct and

Table 7.13. Development Budget for the Gaza Strip, 1983-1987 ($000)

category	*actual expenditure '83*[a]	*% of total*	*% growth prev. yr. '83–'84*	*actual expenditure '84*[b]	*% of total*	*% growth prev. yr. '84–'85*	*actual expenditure '85*[c]	*% of total*	*% growth prev. yr. '85–'86*
Grants to Local Municipalities	3,847	49.3	-23.4	2,946	47.1	-29.7	2,070	49.3	79.5
Welfare							33	0.8	103.0
Agriculture				20	0.3	110.0	42	1.0	30.9
Schools	1,447	18.5	-44.7	800	12.8	26.8	1,015	24.2	33.3
Health	1,365	17.5	-16.2	1,144	18.3	-56.9	493	11.7	180.3
Infrastructure	24	0.3	-66.0	8	0.1	-62.5	3	0.1	13933.0
Telephone				850	13.6	-80.0	170	4.0	-58.2
Reserve							210	5.0	10.5
Roads	658	8.4	-69.0	204	3.3	-100.0			
Professional Development				46	0.7	-100.0			
Misc. (various development works)	471	6.0	-50.7	232	3.7	-30.2	162	3.9	342.0
TOTAL	7,812	100.0	-20.0	6,250	99.9	-32.8	4,198	100.0	66.5

Table 7.13. continued

category	*actual expenditure '86*[d]	*% of total*	*% growth prev. yr. '86–'87*	*actual expenditure '87*[e]	*% of total*	*total for category*	*percent of total budgets*
Grants to Local Municipalities	3,715	53.2	46.9	5,460	41.9	18,038	47.1
Welfare	67	1.0	65.7	111	0.9	211	0.6
Agriculture	55	0.8	-34.5	36	0.3	153	0.4
Schools	1,353	19.3	34.4	1,818	13.9	6,433	16.8
Health	1,382	19.8	-9.2	1,255	9.6	5,639	14.7
Infrastructure	421	6.0	404.8	2,125	16.3	2,581	6.7
Telephone	71	1.0	947.9	744	5.7	1,835	4.8
Reserve	232	3.3	46.1	339	2.6	781	2.0
Roads						862	2.3
	(1,025)	(14.7)				(1,025)	(2.6)
Professional Development						46	0.1
Misc. (various development works)	717	10.3	60.8	1,153	8.8	2,735	7.1
TOTAL	6,988	100.0	86.6	13,041	100.0	38,289	100.0

Source: West Bank Data Base Project, *Jerusalem 1989*; and State of Israel, *Proposed Budget for Fiscal Year 1986* (translated from the Hebrew original).

[a] $1 = 0.085 shekels
[b] $1 = 0.50 shekels
[c] $1 = 1.23 shekels
[d] $1 = 1.50 shekels
[e] $1 = 1.65 shekels
( ) = Miscellaneous credit

indirect revenues amounting to at least $53 million.[101] Hence, low levels of government investment and high levels of government revenue stand out against the steady deterioration of living conditions and the poverty in the Gaza Strip. Despite the excess of revenues over development expenditures in Gaza, Rabin, responding to written inquiries by Knesset member Mordechai Baron, argued that the government's weak investment performance in the occupied territories was due to budgetary and financial limitations:

> Obviously the State of Israel was keen to invest much more in developing the standard of living for the inhabitants of the territories, but budgetary limits in Israel are known to all. Therefore, we are encouraging every party whomever it may be (local, foreign, a state, an international organization or private initiative) to invest in helping the inhabitants of the territories on condition that this help is not harmful to the interests of the State of Israel and is coordinated with the civil administration.[102]

The Israeli authorities have often pointed to the increases in real terms of both the regular and development budgets of the Gaza Strip, especially in the two years prior to the intifada. Two problems emerge. One concerns the areas (social rather than productive) to which monies are allocated. Another concerns the future social, economic, and infrastructural requirements of the Gaza Strip and whether pre-intifada rates of investment would be sufficient to meet the needs of the Gaza region by the turn of the century. Israeli planners stated that 1986 investment rates would be wholly insufficient; NIS 159 million would be needed for infrastructural improvements alone.[103] A 1993 World Bank mission to the Gaza Strip and West Bank concluded that Palestinian infrastructure stood at one-third its required level. In 1993, the government spent an average of NIS 44 on development for each Palestinian in Gaza compared to an average of NIS 2,100 spent on every Israeli in 1991.[104]

Israeli expenditure and investment in the Gaza Strip illustrate official policy toward local economic development. Investment patterns are the most telling because they show a severe (if not total) lack of government funding for areas essential to the growth of productive capacity. Denying financial support for the development of water, land, housing, industry, and agriculture is a form of dispossession. Doing so with Palestinian tax monies is a form of expropriation.

Conclusion

The cumulative effect of the expropriation of land, water, and housing has been dispossession. The expropriation of key resources critical to socio-economic growth erodes economic capacity or the ability to accumulate capital and invest it in productive activities. Consequently, the economy is unable to compensate for the losses it has incurred, an important factor shaping the de-development process. The denial of land and water, for example, has dramatically and negatively affected the growth and absorptive capability of Gaza's

dominant agricultural sector and has forestalled its transformation from a traditional to modernized mode of production. The denial of adequate housing has seriously eroded the living standards of Gaza's Arab population. All three forms of dispossession fuel de-development because they represent an attack on the internal capacity of a community to remain integrated, cohesive, and resilient. So diminished, both society and economy become more and more vulnerable to other, often external forces that can offer any compensation, albeit a palliating one.

The integration of Gaza's economy into that of Israel and its attendant externalization toward economic needs and interests not its own constituted just such compensation. Although expropriation did not necessarily precede integration, the relationship between resource expropriation and economic integration is direct and undeniable. However, the exogenous and "compensatory" shift in economic orientation that occurred after 1967 was not without its costs: structural dependence, sectoral disarticulation, and occupational reorientation. These costs prevented the transformation of Gaza's early economic growth into sustained economic development and contributed greatly to Gaza's de-development, as will be shown in the next chapter.

Notes to Chapter 7:

1. Civil Administration of Gaza, *A Plan For The Development of the Gaza Strip Through The Year 2000* (Tel Aviv: Ministry of Defense and Gaza Civil Administration, 1986) (hereafter known as the Gaza Plan).

2. Jeffrey D. Dillman, "Water Rights in the Occupied Territories," *Journal of Palestine Studies* 19, no.1 (Autumn 1989): 52–53.

3. Mekorot has responsibility for 80 percent of Israel's water supply. See Itzhak Galnoor, "Water Planning: Who Gets the Last Drop?" in Raphaella Bilski et al (eds.), *Can Planning Replace Politics? The Israeli Experience* (The Hague: Martinus Nijhoff, 1980), pp. 148–49, 162–66.

4. Meron Benvenisti and Shlomo Khayat, *The West Bank and Gaza Atlas* (Jerusalem: The Jerusalem Post Press, 1988), pp. 113–14. They indicate 2,150 boreholes used for agricultural purposes, of which 1,800 were located in the inner Gaza area and 350 by the sea.

5. Gaza Plan, Section 14.1.1. See also Kahan.

6. Gaza Plan, Section 14.1.1.

7. M. Benvenisti, *The West Bank and Gaza Atlas*; Water Planning in Israel Ltd. (WPI), *Closed Water System in the Gaza Strip: Interim Report No. 2* (Tel Aviv: Tahal, May 1987), p. 4. (Confidential Document.)

8. Director of the Department of Water, United Nations Relief and Works Agency (UNRWA), Gaza, February 1989.

9. WPI places the drop between 7–10 cubic meters per annum, and Benvenisti and Khayat put it at 15–20.

10. Zvi Arenstein, "Gaza's water supply is over-exploited," *Jerusalem Post*, 3 June 1977. Saline water impairs the size and quality of citrus fruits.

11. WPI, *Interim report No. 2*.

12. Other areas in danger include Mahru' Amer (1,500 mcl to 2,000 mcl), where seawater has penetrated 1.25 kilometers eastward from the coast; Sheikh Ajlein and some areas of eastern Gaza (2,000 mcl); Abu Middain (200 mcl to 2,200 mcl); the western part of Nuseirat (400 mcl to 2,000 mcl); el-Bureij and el-Maghazi (350 mcl to 1,500 mcl); Bani Suheila (500 mcl to 1,500 mcl); the Abasans (700 mcl to 2,000 mcl); and the western part of Rafah (200 mcl to 1,000 mcl). Ministry of Agriculture, *Percentage of Salinity in the Water Wells of the Gaza Strip*, Internal document, Ministry of Agriculture, Civil Administration, Gaza Strip, 1989.

13. WPI, *Interim Report No. 2*, p. 5.

14. These five areas were Beit Lahiya, Gaza, el-Bureij, Abasan, and Rafah. Interviews with engineering consultants to the Save the Children Federation, Gaza City, March 1989, and visits to the sites.

15. Confidential study commissioned by UNRWA, 1990. UNRWA requested that the study not be identified (hereafter referred to as UNRWA Internal Report). The report stated that only Beach and Jabalya camps had enough land available to construct appropriate sewage treatment facilities.

16. Interview with Richard Larsen, associate director of UNRWA, Gaza Strip, 1989.

17. UNRWA Internal report. Another very serious problem caused by unregulated disposal of sewage and solid wastes is insect and rodent infestation. In 1993, further work was planned for the Beach Camp network.

18. WPI, *Interim Report No. 2*, p. 6.

19. Water Planning in Israel Ltd. (WPI), *Closed Water System in Gaza Strip Intermediate Stage (1990)* (Tel Aviv: Tahal, June 1987), p. 2. (Confidential Document.) According to Israeli planners, in order to deal with all the sewage of the Gaza Strip population through the year 2000, the master plan would require an expenditure of 66.8 million shekels and an allocation of 1,370 dunums of land, some of it to be seized, privately owned land. However, on the basis of government expenditures on sewage systems and treatment facilities through 1986, only 24.0 million shekels would actually be made available through the year 2000.

20. UNRWA, Internal Report on environmental problems in the Gaza Strip, April 1993.

21. Galnoor, "Water Planning," in Bilski et al. (eds.), pp. 177–89.

22. Dillman, 52. Also see Joe Stork, "Water and Israel's Occupation Strategy," *MERIP Reports* 13, no.6 (July-August 1983): 19–24.

23. Sharif S. Elmusa, "Dividing The Common Palestinian-Israeli Waters: An International Water Law Approach," *Journal of Palestine Studies* 22, no.3 (Spring 1993): 61.

24. Ibid., pp. 61, 63.

25. Ibid.

26. This claim could not be officially documented but foreign PVOs working in the Strip maintain its validity.

27. Gaza Plan, Section 14.1.1.

28. Galnoor, "Water Planning," in Bilski et al. (eds.), p. 144.

29. Roy, *The Gaza Strip Survey*, p. 51.

30. Dillman, p. 56.

31. Gaza Plan, Section 14.3.0.

32. Interview with Dr. Carlo Cammisa, hydrological consultant to UNRWA, Gaza, 1989. Given the deterioration of the water supply since 1989, this is a conservative estimate.

33. Dillman, p. 56.

34. State of Israel, *An Eighteen Year Survey (1967–1985)*, p. 78.

35. WPI, *Intermediate Stage*, p. 3, makes this clear. Kahan, p. 171, provides the figures.

36. See Elmusa, p. 65.

37. Gaza Plan, Section 14.1.1.

38. Gaza Plan, Sections 14.2.2, 14.2.3; M. Benvenisti and Khayat, p. 114.

39. The figures in table 7.5 are slightly higher.

40. Gaza Plan, Section 14.2.2.

41. Domestic consumption rates for Arabs is 25 percent; for Jews, 10 percent.

42. Dillman, p. 55.

43. See Elmusa for a discussion of options.

44. Gaza Plan, Section 14.4.0. Annually, the government spent an average of NIS 1.4 million on the development of water resources in the Gaza Strip through 1986.

45. WPI, *Intermediate Stage*, p. 3.

46. These calculations are based on Tahal's projected 1990 Arab population of 686,000. Because no projections for the Jewish community were made, the 1990 figure of 3,000 was used.

47. Galnoor, "Water Planning," in Bilski et al. (eds.), p. 155.

48. Ibid., p. 159.

49. Ibid.

50. Ibid., 160.

51. Dillman, p. 49, provides another example of this attitude in his discussion of the Hayes Plan, which called for the diversion of half the water of the Yarmuk River into Lake Tiberias.

52. The Gaza Strip's total area varies slightly according to source. The Egyptians estimated 360,000 dunums and the Israelis estimate 365,000 dunums. The reason is unclear.

53. See M. Benvenisti and Khayat.

54. Interviews with officials in the Ministry of Foreign Affairs, Tel Aviv, 1990, and in the United States Embassy, Tel Aviv, 1990.

55. Roy, *The Gaza Strip Survey*, pp. 134–35.

56. See ibid., pp. 137–48, for a detailed description of these settlements; see also Sharif Kana'na and Rashad al-Madani.

57. The 224,500 dunums made available to the Arab population for domestic and economic purposes represents 61.5 percent of Gaza's total land area. Hence, portions of Israeli-controlled lands are leased to Arabs.

58. Land allocations to the Jewish and Arab communities are based on 1986 figures because 1993 figures were not available. As such, population densities obtained for 1993 may be considered conservative estimates because of significant increases in the Arab population and because land confiscations from the Arabs and land allocations to the Jewish settlers increased between 1986 and 1993. (The growth in the settler population in these years was not significant.) Furthermore, figures provided for Jewish settlements do not include the availability of other state controlled lands for use by settlers.

59. For a description of Jewish settlements in Gaza, see Geoffrey Aronson, "Gaza Settlement—Building a Dream World," *Report on Israeli Settlement in the Occupied Territories* 3, no.5 (September 1993): 4–5.

60. These figures were calculated from The World Bank, *World Development Report 1990* (New York: Oxford University Press, 1990), pp. 178–79. See also Alan Richards and John Waterbury, *A Political Economy of the Middle East: State, Class, and Economic Development* (Boulder, CO: Westview Press, 1990), p. 53.

61. It is not entirely clear whether the 37,000 dunums allocated for use by Jewish settlers in Benvenisti and Khayat refers to built-up areas only or includes agricultural lands as well. Map 62 (page 116) implies that it is the former, and this is the assumption made in the text.

62. Between 1978 and 1985, approximately 46,300 dunums of agricultural and nonagricultural land was expropriated from Arab villages and landowners for the pur-

pose of establishing Israeli settlements. Roy, *The Gaza Strip Survey*, pp. 141–45. Between 1985 and 1991, at least 500 hundred additional dunums were expropriated.

63. International Labour Organization, 71st Session, p. 27.

64. Various sections of the Gaza Plan.

65. Some of the assumptions of the Gaza Plan are debatable, especially as they concern the camp growth rate and the impact of rehabilitation efforts on that rate. Other UNRWA projections predict that the camp population will be significantly higher by the year 2000. Given the dearth and accuracy of demographic information, all statistics relating to population size can only be estimates. However, the figures provided by the Gaza Plan are useful because they provide what may be considered a very conservative estimate. Even using these lower estimates, the predicted level of housing is wholly inadequate to need.

66. Gaza Plan, Sections 3.4.2–3.4.4.

67. Arab Thought Forum, table 7.

68. The number of homes completed fell from 247,300 to 230,600 square meters; the number of homes started dropped 30 percent, from 345,600 to 242,500 square meters. Between 1982 and 1985, in particular, there was a 36 percent drop in square meters of finished housing. State of Israel, *Statistical Abstract of Israel* (Jerusalem: Central Bureau of Statistics, 1991).

69. The number of units begun dropped from 2,401 in 1979 to 1,392 in 1987, and the number of units actually completed declined from 1,757 to 1,247. However, the average number of rooms increased from 3.7 to 4.4. State of Israel, *Statistical Abstract of Israel.*

70. See Abdelfattah Abu Shokar, "Income Distribution and Its Social Impact in the Occupied Territories," in Kamel Abu Jabber, Mattes Buhbe, and Mohammed Smade (eds.), *Income Distribution in Jordan* (Boulder, CO: Westview Press, 1990), pp. 93–109.

71. See State of Israel, *National Accounts of Judea, Samaria and Gaza Area 1968–1986*, Special Series No. 818 (Jerusalem: Central Bureau of Statistics [CBS], 1988), p. 162.

72. Gaza Plan, Sections 17.0.5, 17.6.1–17.6.4. Trends have not changed. According to the World Bank, new household formation in the Gaza Strip and West Bank exceeded 5 percent per annum between 1988 and 1993, a rate that is among the highest in the world.

73. In the West Bank, camp structures look very different. Many have permanent roofs and are more than one story. (This distinction is due to Jordan's political relationship with the West Bank, which was very different than Egypt's with Gaza.)

74. UNRWA, in-house statistics, Gaza Strip, 1989. In 1993, UNRWA initiated a small

scale core house replacement program to replace some of the original (and most dilapidated) shelters; a home improvement program to improve the physical condition of some houses; and, begun in 1992, a roof replacement program to replace damaged roofs.

75. UNRWA Internal report.

76. An internal UNRWA report states:

> Recent studies indicated that at Beach camp by the age of four years, from 50 to 85% of children are infested with *Ascaris* (roundworms), while even among adults over 42% of blue collar workers, and over 27% of white collar workers are affected. Other intestinal parasites causing illness such as whipworm, amoebae, and *Giardia* are correspondingly excessively common.

77. Interview with official who asked not to be identified, UNRWA, Gaza, 1989.

78. Abd'al-Latif A'Sha'afi, "From a Refugee Camp to the Dekel Neighbourhood in Rafah," in Avraham Lavine (ed.), *Community Work in the Gaza Strip* (Jerusalem: Ministry of Labour and Social Affairs, n.d.), p. 13. In the same publication, also see Yaacov Gal, "Community Work in the New Refugee Neighbourhoods of the Gaza Strip," pp. 9–12.

79. Lavine (ed.), *Society of Change, Judaea, Samaria, Gaza Sinai 1967–1973*, p. 11.

80. "1,500 homes slated for Gaza in 1975," *Jerusalem Post*, 3 March 1975; and "Master plan approved for Rafah town," *Jerusalem Post*, 24 February 1975.

81. William E. Farrell, "Israeli Housing for Gaza Refugees Spurs Friction With U.N.," *New York Times*, 24 November 1976. For the opposite interpretation of the rehousing program, see Alfred Friendly, "Israeli Program for Gaza Misery Encounters Refugees' Suspicion," *Washington Post*, 27 August 1971.

82. *Jerusalem Post*, 3 March 1975.

83. Since 1967, the land in the refugee camps has been either UNRWA-owned or leased to UNRWA by the Israeli government. Housing changes that occurred on UNRWA land and were not major (i.e., small vertical additions) qualified for UNRWA assistance and did not require Israeli approval. Major changes to shelters, no matter whose land they sat on, required Israeli approval, which was seldom given. Interview with Hashem Abu Sidu, Public Information Officer, UNRWA, Gaza, 1988. It should also be noted that, historically, building permits in West Bank refugee camps were granted by UNRWA; in Gaza's camps, they were issued by the Israeli military government/civil administration. See Cooperative Housing Foundation (CHF), *Housing Needs Assessment for the West Bank and Gaza* (Washington, D.C.: CHF, 1993), p. 30.

84. H. Ben-Adi, "Dayan in Gaza: Situation good," *Jerusalem Post*, 24 May 1971. Emanuel Marx, "Changes in Arab Refugee Camps," *Jerusalem Quarterly* 8 (Summer

1978): 43–52, explains why this did not happen.

85. Moshe Dayan details his ideas in "A human life for the refugees," *Jerusalem Post*, 27 August 1971. See also Mark Segal, "Dayan wants action to clear refugee morass in Gaza Strip in 2 years," *Jerusalem Post*, 16 September 1969.

86. "'Do-it-yourself' wrecking operation starts at Rafah," *Jerusalem Post*, 25 December 1972.

87. Walter Schwarz, "Israel Begins Resettling Gaza Arabs Into Better Homes," *Washington Post*, 5 November 1970; and "Gaza Strip prosperity," *Jerusalem Post*, 12 July 1976.

88. Peter Grose, "U.N. Calls on Israel to Rescind Resettlement of Arabs in Gaza," *New York Times*, 24 November 1976.

89. Gaza Plan, Tables 17.3 and 17.4; Section 17.2.4.

90. Ibid., Table 17.4.

91. Ibid., Section 17.3.2.

92. Ibid., Section 17.4.1 (emphasis added).

93. Ibid., Section 17.4.3.

94. Ibid., Section 17.4.4.

95. Ibid., Section 17.5.2.

96. Ibid., Section 17.5.3.

97. The defense minister at the time, Yitzhak Rabin, wrote to Knesset Member Mordechai Baron in Jerusalem in August 1986 on the subject of the Gaza Strip and West Bank budgets:

> The collection of deducted money from the wages of inhabitants of the territories working in Israel in an organized manner, and their usage, are stated in the government's resolution of October 8, 1970, which was passed in order to insure conditions for equal competition and determined that: (1) gross wages and net wages be equal to those received by Israeli workers in parallel branches; (2) tax payments, social allocations and deductions enjoyed by those working in Israel will be handled in the same way as in Israel; (3) excess sums and social allocations are transferred to the deduction fund; and (4) the fund will help in developing social services in the territories. In our opinion, there is no need to change the aforementioned government resolution.

98. The International Center for Peace in the Middle East in Tel Aviv estimated that

as much as 80 percent of the transferred funds never enter the budgets of the civil administration but remain within the treasury for Israeli use. See Hiltermann, p. 22.

99. Letter, Rabin to Baron, August 1986.

100. Indirect taxes include: (Israeli) VAT (not Gazan VAT, which remains inside Gaza); other less visible forms such as customs duties and tariffs levied by Israel on imports to the Gaza Strip and West Bank from Jordan and through Israel; and the use of Israeli currency as legal tender, whose inflationary character has widened the deficit with Israel in favor of Israel.

101. See Roy, "The Gaza Strip: A Case of Economic De-Development," pp. 79–81; M. Benvenisti, *1987 Report*.

102. Letter, Rabin to Baron, August 1986.

103. Gaza Plan, various sections.

104. Samir Abdullah Saleh, "Urgent Priorities for the Development of Physical Infrastructure of the Occupied Palestinian Territory," (Paper presented to the United Nations Seminar On Assistance To The Palestinian People, UNESCO, Paris, 26–29 April 1993), p. 3.

8

Integration and Externalization

The dispossession of essential economic resources has deprived Gaza's economy of vital production factors. This has imposed constraints on internal economic capacity and the economy's ability to sustain its population. Deprived of its own resources, the Gazan economy was forced to rely on external resources for growth. This forced dependence was achieved through integration or incorporation with the Israeli economy and the externalization or reorientation of Gaza's economy toward Israel.

Integration and externalization are distinguished by Israeli policies that encouraged Gaza's dependence on externally generated income sources. These policies include the reorientation of the labor force away from indigenous agriculture and industry to labor-intensive work outside Gaza (also a form of economic dispossession) and the redirection of trade to Israel. Through these and other policies, not only were local resources transferred out of Gaza's economy to Israel's, but local economic activity became increasingly vulnerable to, dependent on, and subordinated to demand conditions in the Israeli economy. As a result, Gaza's internal productive base and capacity were diminished, and de-development was fostered.

This chapter will discuss those sectors where integration and externalization are pronounced and have had marked economic impact: labor and employment, agriculture, industry, and trade.

Labor is a primary axis through which Palestinians are integrated with Israel: Palestinians have comprised approximately 8 percent of the Israeli labor

force since the mid-1970s. This is not a reciprocated relationship: Only 0.7 percent of the Jewish labor force has been engaged in production for the occupied territories. However, for certain sectors of the Israeli economy, integration of labor has been very high and Israeli dependence proportionally large. By 1988, for example, Palestinian labor accounted for 42 percent to 45 percent of all workers in Israeli construction, sanitation, and agriculture, and 10 percent to 15 percent of all hired labor in the textile and food industries, garages, and in restaurant and hotel services.[1] Hence, labor is a key structural channel for transferring the problems as well as the benefits of the Israeli economy to the occupied territories.

Labor and Employment

The integration of Gazan labor into the Israeli workforce has been rapid and dramatic. The Bank of Israel reports that between 1970 and 1988, the number of laborers from the Gaza Strip and West Bank working in Israel rose from 22,800 to 109,400, an increase of almost 400 percent. Of the total labor force in the occupied territories, only 13 percent was employed in Israel in 1970; by 1988, this had risen to 38 percent. Relatively speaking, Gazan workers accounted for the largest share of migrant labor in Israel.[2]

The characteristic features of the labor force of the Gaza Strip and its employment patterns are critical pillars of the de-development process. First, Gaza's labor force serves Israel's economic interests, not Gaza's; as a result, Gaza's own productive capacity is eroded. Second, employment patterns in Israel confine workers to manual and menial tasks requiring low skill levels. In such an environment, educational attainment has no bearing on employment opportunity. Without opportunity, the population's skills sink to the lowest common denominator. This, too, contributes to weakening economic capacity. To analyze labor market changes, one must first establish relevant features of the Gaza Strip population.[3]

General Population and Labor Force Characteristics

A. Population Size

Between 1947 and 1987, the population of the Gaza Strip increased from roughly 71,000 to 633,600 people, a rise of nearly 800 percent in just 40 years.[4] This growth rate in this time frame has few, if any, equivalents. After 1967, the growth of the Gaza Strip population was attributable almost entirely to natural increase, which augmented the population and offset the loss of 103,100 emigrants. With the exception of 1973, the migratory balance in the Gaza Strip has always been negative—itself a form of dispossession—and a reflection of growing population densities, the lack of employment opportunities, and constant political pressures.

Gaza's negative migration patterns had a pronounced impact on population size and its ability to grow according to normal demographic patterns.

Levels of out-migration have approached those of natural increase, and it was not until 1979 that the effect of natural increase mitigated the impact of migration loss in the Gaza Strip. Because migratory flows are linked to the very inelastic nature of the labor market and Gaza's productive base, they have considerable implications for indigenous economic development.

In 1993, UNRWA calculated that the Gaza Strip population will double in the next seventeen years and multiply eight times within fifty years.

B. Age Structure

The Gaza Strip population is extremely young. Nearly 50 percent of all residents are fourteen years old or younger; nearly 60 percent are younger than age twenty. Whereas this demographic pattern is found in the Middle East generally, it is even more pronounced among Palestinians. Palestinian fertility rates, among the highest in the developing world, are directly linked to the demographic conflict with Israeli Jews.[5] Little will change in the age structure of the population, as a minimum of 57 percent and a maximum of 60 percent of the population will be nineteen years of age or younger by the year 2000.[6]

C. Gender Composition

Before 1967, women outnumbered men in Gaza, 1,000 to 942. This has since changed, however. By the mid 1980s, the population was equally divided, and by the early 1990s, the number of men exceeded the number of women. A breakdown by age offers some insight into this change. In 1982, the number of men aged 24 years or younger exceeded the number of women in that age group by 12,000 people or 7.6 percent, a pattern that had persisted to varying degrees since 1967. However, for ages 25–49, women consistently outnumbered men by 14,000 and by 10,600 in 1967 and 1982, respectively. The reasons for these demographic trends are largely related to the emigration of males outside the Gaza Strip—more than 94,000 between 1966 and 1987—in search of employment and education.[7] This balance began to change with the intifada, which interrupted the emigration process.[8]

D. Labor Force

The labor force never accounted for more than 19 percent of Gaza's total population, even before 1967. Throughout the occupation, the labor force has remained around 17.5 percent–18.0 percent. The total labor force includes those who are gainfully employed as well as those who are actively seeking employment; it is not to be confused with the employed labor force, or those persons who are actually working. The numerical difference between them has been the subject of much dispute, because Israel has traditionally defined "employed" as persons registered with the Israeli Labor Employment offices and "unemployed" as persons who have unsuccessfully sought work through those offices.

Between 1968 and 1987, Gaza's total labor force increased by 118 percent, from 46,800 to 102,200 people, including children who joined the

workforce during the summer and fall harvests. By 1993, there were 120,000 people in Gaza's labor force.

Labor force participation is defined as the number of people participating in the labor force divided by the number of people aged fourteen or fifteen and older. Although participation rates increased over time, throughout the 1980s they remained steady around 33 percent, which is low. Some factors accounting for low participation rates include: the large percentage of people below the age of 15 years; the constant emigration of adults; the high rate of school attendance; and the very limited economic opportunities available to the labor force.

Labor force participation rates among men (aged 14 and older) have exceeded those of women. Between 1968 and 1987, the male participation rate increased from a low of 59 percent to a high of 65.7 percent. Although men comprised around 50 percent of the working age population of the Gaza Strip since 1970, they accounted for well over 90 percent of the total labor force. Participation rates for men in Gaza, the West Bank and Israel (both Arab and Jewish Israeli) are similar: they do not approach the variations in the female population.

Although women accounted for at least 50 percent of the total working age population[9] between 1970 and 1986, they comprised only 8.6 percent and 4.0 percent of the labor force, respectively. Women's labor force participation rate averaged 3.4 percent in 1986, even lower than their absolute presence in the labor force. Unlike the West Bank, where women work primarily in agriculture, in Gaza, over 50 percent of women work in the service sector. In all likelihood, the low and declining female participation rate in the Gaza Strip is occasioned by the limited opportunities for work in agriculture and in the informal economy generally, in addition to shrinking job availability in the formal economy. The extremely low participation rate of women and the loss of productive potential that this represents severely constrains economic development.[10] Moreover, the low female participation rate combined with the small number of working-age males kept the overall labor force participation rate low during the first two decades of occupation, despite the rapid growth of the labor force.

Indeed, the young age structure of the population is the main factor determining the supply of labor. It is also the main reason why labor force growth has been equal to, and sometimes greater than, population growth. Between 1970 and 1987, the labor force grew by almost 70 percent—averaging 3.9 percent annually—whereas the population grew by 63 percent for an average of 3.5 percent annually. The local economy, however, has been unable to keep up with the expansion of the labor force. According to official estimates, although domestic employment has absorbed the larger share of Gaza's labor force since 1967, the level of domestic employment fell dramatically from 97.9 percent of Gaza's total labor force in 1968 to 54 percent in 1987. In 1990–91, 2,750 people were added to Gaza's workforce but only 1,000 were absorbed by domestic industry.[11]

If domestic employment continues to fall behind population and labor force growth, the rate of unemployment will grow.[12] This suggests that unemployment is structural in nature, related to the inability of the local economy to provide new jobs, and not a temporary or transitory phenomenon. In the Gaza Strip, this means that one new job will be available domestically for every eight new entrants to the labor market. (In 1995, according to UNCTAD estimates, close to 22,600 jobs will be needed, rising to 43,000 by the year 2000.)[13]

The inability of Gaza's economy to keep up with labor force growth has been due in part to restrictions on private sector development and a steady decline in public sector activity. As a result, the local economy has not been able to generate sufficient new jobs that would allow it to productively absorb the growing supply of labor increasingly available to it. In fact, domestic output has dropped behind additions to the labor force. The gap between a growing labor force and limited domestic absorption capacity constitutes a major structural constraint on economic development in the Gaza Strip. The deterioration of Gaza's labor absorption capacity creates a very serious imbalance in the structure and future performance of the economy. Without internal structural reform as opposed to a continued reliance on work in Israel, which is becoming increasingly unavailable, Gaza's productive base will deteriorate further and erode.

Employment in Israel[14]

By contrast, the substantive increase in the Gaza Strip labor force is almost entirely due to the growth of employment in Israel, the most significant change affecting the structure of wage labor in the Gaza Strip through 1987. Within the first five years of gaining access to the Israeli market, the number of Gazan laborers commuting to work in Israel increased 27 times and continued to push upward, albeit with minor dips and fluctuations. By 1987, their numbers had swelled to 48,100 wage earners, or 47 percent of the Gaza Strip's total labor force, according to official Israeli estimates. Revised United Nations data, however, indicate that the number of Gazans working in Israel prior to the outbreak of the intifada exceeded 70,000.

Employment in Israel is critical as an outlet for Gaza's domestic labor market. In addition to severely limited domestic opportunities, Gazans have had few possibilities for emigration to the Arab world. The opening of the Israeli economy to Gazan labor affected all sectors of the economy, though some more than others. The most significant transformation occurred in the agricultural sector. As a source of total employment, agriculture suffered the greatest decline between 1967 and 1987, dropping from a high of 33.9 percent in 1971 to a low of 18.3 percent in 1987. This decline was most pronounced in the domestic labor force. Agriculture's share of domestic employment fell from 31.6 percent in 1970 to 16 percent in 1987. By 1984, Israeli agriculture actually employed more Gazan workers than Gazan agriculture. Overall, since 1979, agriculture has employed just slightly more workers than industry, a change

without precedent in Gaza's economic history, given agriculture's predominant position during the Mandate period. The reasons for the decline of this sector—both as a whole and domestically—are: the availability of more lucrative income-earning opportunities in Israel; the rise of other sectors, such as construction and services; and the shift to cultivation methods that are less labor intensive.

The sector that was next most affected was construction, whose share of total employment more than doubled from 12.4 percent in 1970 to 29 percent in 1989. None of this growth occurred in Gaza's domestic construction sector, which employed as many people (approximately 4,500) in 1988 as it did in 1967. Israeli construction accounted for all of it, absorbing the losses that accrued to Gaza's own construction sector.

The services sector was likewise dramatically affected by the opening of the Israeli economy to Gazan labor. Overall, the services sector has consistently employed the largest share of Gazans throughout the period of Israeli occupation—from 50 percent to 59 percent of total domestic employment, a pattern which held true before 1967 as well. However, the number of Gazans working in services in Israel rose dramatically from 3.4 percent of all Gazans employed in Israel in 1970 to 18.4 percent in 1987.

Industry remained the smallest single source of total employment, standing at 12.8 percent in 1989. Between 1970 and 1987, industry's share of total employment increased both in Gaza and Israel, although the absolute number of Gazans employed in Israeli industry increased by more than 1,620 percent versus 48 percent in Gazan industry. In Gaza, moreover, industry's historical increase was largely due to the establishment of subcontracting arrangements in the 1970s in which Israeli companies, particularly textile companies, set up "branches" in the territories to take advantage of the cheaper cost of labor. Only the workers' wages from such arrangements accrued to Gaza; all profits returned to Israel. Since they began, subcontracting arrangements have steadily accounted for 15 percent to 20 percent of Gaza's domestic industrial employment.

The presence of growing numbers of Palestinian migrants provided the Israeli economy with a source of cheap and easily exploitable labor that it could use or marginalize without great economic risk. In periods of economic prosperity, for example, the availability of this labor pool had a stabilizing effect on Israeli wages and provided an expanding economy with a competitive advantage in foreign markets without threatening the jobs of any Jewish workers.[15] Given Israel's control over Gaza's economy, wages paid to area workers do not drain the state's economic reserves because the consumption expenditure of Palestinian labor is directly tied to the Israeli economy. The importance of Gazan labor was echoed in a statement by Moshe Baram, Israel's labor minister in 1974, who said, "[T]he Gaza Strip will remain economically integrated with Israel, no matter what the political outcome of the Middle East conflict."[16]

The role of Arab labor in the Israeli economy is further illustrated by the

ethnic organization of the Israeli labor market and the concentration of Palestinian workers in confined occupational categories. In 1969, 85 percent of the labor force from the occupied territories were disproportionately represented in 14 out of 83 occupations defined by the Israeli government. Of this group, over 70 percent were concentrated in just five occupational categories: unskilled workers in construction; skilled workers in construction; unskilled laborers in agriculture; laborers in fresh food packaging; and workers in the lumber industry. Although the number of Palestinians working in Israel had increased eightfold over the ensuing decade, Arab workers continued to be confined to certain occupational groups, most of them manual. By 1982, they were concentrated in 20 out of 83 categories; in addition to the five occupational groups listed above, Palestinians were overrepresented in the canned food industry, cleaning services and road construction. Certain categories were completely blocked to Gaza Strip and West Bank labor, notably white-collar or professional occupations (e.g., pharmacists, engineers) and entrepreneurial occupations requiring capital investments and official sanction or security clearance such as the wholesale and retail trade, the insurance industry, and other strategic industries such as aircraft or armaments. Public services were also barred, with the exception of street cleaning and other related services. Only a fraction of other ethnic groups, especially Israeli Jews, are employed in the limited occupations in which Palestinian workers from the occupied territories are concentrated.[17] Indeed,

> [t]he ethnic order of the occupational hierarchy has remained remarkably stable over the years: European-American Jews at the top, noncitizen Arabs [Palestinians from the West Bank and Gaza Strip] at the bottom, and Asian-African Jews and Israeli Arabs between the two extremes. Nevertheless, important changes have taken place in the average occupational status of all ethnic groups. The mean status of the two groups of Jews, as well as that of Israeli Arabs, rose considerably between 1969 and 1982. Each of these three groups improved its status by approximately 10 percent of its mean status at the initial point in time. In contrast, Arabs from the administered territories lost status in both relative and absolute terms.[18]

Indeed, despite prevailing public assumptions in Israel, Arab labor has greatly benefited two economic classes: the Israeli owner/employer, who benefits from the availability of cheap and abundant supplies of labor; and the Israeli working class, primarily the Sephardi Jewish community, whose status and social position as second-class citizens within their own society are enhanced as Arabs assume those forms of employment that no Israeli would ever accept.

Semyonov and Lewin-Epstein further explain that when the Israeli market first opened up to Palestinian labor from the West Bank and Gaza (a stage they call penetration), occupational entry was determined primarily by shortages in given occupational areas. Arab labor was perceived as a temporary solution to an immediate manpower problem. Once it was clear that Palestinians would remain in the Israeli labor market more permanently, "their occupational

opportunities were determined mostly by exclusionary processes . . . . New mechanisms evolved, which placed noncitizen Arabs within the broader stratification system, relegated group members to low-status jobs and barred them from others."[19] The transformation of Arab labor from temporary fill-ins to an integral part of the workforce, combined with their particular ethnic status, delimited their occupational opportunities and institutionalized a caste structure in the Israeli labor system.[20]

Under such conditions of extreme occupational segregation and poor mobility, the educational level of the Palestinian job-seekers is largely irrelevant. Irrespective of their educational degrees, their "job opportunities" are the same: construction worker, dishwasher, garbage collector, and the like. The role assigned to Arab workers in Israel has also alienated them from their Israeli employers and from the dominant culture they enter daily. Sociologist Salim Tamari[21] describes the feelings of rejection, displacement, and dissonance experienced by migrant Arab laborers, who clearly recognize and feel powerless to change the impermeability of a system and society that will give them entry but not acceptance.

In certain key respects, Arab labor patterns after 1967 are no different from what they were under the Mandate. These patterns reveal that labor migration and employment are conditioned by events outside the traditional Arab economy over which the worker has no control.[22] Tamari describes four such patterns that also distinguish Palestinian migratory labor from other third world migratory workers: physical proximity to the Israeli workplace that has enabled workers to maintain their ties to the land and continue their participation in village social life; the ambivalent class identity of workers that derives from their daily interaction with Israeli society; the preponderance of workers in Israeli construction; and the poorly institutionalized labor recruitment process that has resulted in greater exploitation by employers.[23]

In this way, the integrative dynamics introduced during the occupation did not change historical patterns but intensified them. Integration and externalization exacerbated the proletarianization of the Arab workforce; the erosion of traditional social structures; and the transformation of the nonurban Arab economy into something stagnant and nonproductive.[24]

Key Structural Changes

The employment patterns of the Palestinian labor force reflected the institutionalization of two critical structural changes in the Gaza Strip economy. First, Gazan wage earners became increasingly dependent on employment in Israel. The pull of employment in Israel was so strong that by the mid-1970s, open unemployment in the occupied territories had been eliminated, disguised unemployment had virtually disappeared, labor force participation rates had leveled off, and all of the labor reserves in the Gaza Strip had been exhausted.[25] Employment opportunities in Israel rose dramatically, whereas those in Gaza dropped.[26]

Second, attending the rapidly growing dependence of the domestic workforce on employment in Israel has been the increasing importance of incomes earned in Israel to GNP. In fact, income generated by work in Israel was the "single most significant source of external credit to the Palestinian current account since 1980"[27] and a major contributing factor to impressive GDP growth rates. In 1970, for example, external payments accounted for 10 percent of the Strip's GNP[28]; by 1987, 42 percent was generated through factor income and net transfers, the largest component of which was wages earned in the Israeli economy. Moreover, an additional 10 percent to 20 percent of Gaza's GNP derived indirectly from employment in Israel, bringing the real total contribution closer to 60 percent. Gaza's extreme dependency on Israel has been asymmetric: only 1 percent of Israel's GNP has been generated by the Gazan economy.[29]

As early as 1970, furthermore, wages earned in Israel were 110 percent higher than those obtained in the Gaza Strip.[30] The national product, therefore, has consistently been larger than the domestic product, the measure of local production and output. When measured in per capita terms, Gaza's GDP was only 1.7 times as great in 1986 as it was in 1968.[31] Consequently, the Gaza Strip has had an income disproportionate to its productive capabilities; the economy has increasingly been dominated by externally generated resources. As a result, such production-linked indicators as GNP and per capita GNP are inappropriate measures for evaluating the strength and efficiency of the Gaza Strip economy, because they are largely based on transferred resources.[32]

These structural changes have had a profound impact on the growth and transformation of Gaza's domestic economy and the prospects for local development. However, the effect of increasing economic integration between the Gaza Strip and Israel has been viewed as both beneficial and harmful, underscoring the argument made earlier that more than one level of analysis is required. The Israeli government, for one, has consistently underlined what it considers to be the positive outcomes of enhanced integration in the areas of labor and employment. The Ministry of Labour and Social Affairs has defined these outcomes in several ways, most prominent of which is "the significant increase in income, wages, private consumption and standard of living, all of which have more than doubled in real terms."[33] Conditions prevailing before 1967 are held to be the only legitimate basis of comparison, particularly with regard to levels of per capita GNP and unemployment. Officially, unemployment fell from 10 percent to 15 percent before the war to 2 percent to 3 percent after, a situation that the government defines as full employment.[34]

These points are more significant for what they fail to say rather than for what they do say. Economic growth is not the same as economic development. The benefits that have accrued to the Gaza Strip economy as a result of labor integration have been achieved at a high price. For example, the restriction of employment to low-skilled occupations in Israel, eroding domestic opportunities, and the absence of a viable industrial and financial sector have driven out

Palestine's most productive classes—the highly skilled, the professional, and the entrepreneurial. This large-scale emigration has deprived the economy of a critically needed resource for its own social and economic development. This is especially true in the Gaza Strip, where 94 percent of migrant workers abroad are engaged in white-collar work.[35] Strikingly, only 49 percent of the men and 64 percent of the women who were 15 to 24 years old in 1967 remained in the Gaza Strip in 1987.[36]

Moreover, the migration of labor to Israel also meant a loss to those commodity-producing sectors of Gaza's economy in which labor had traditionally been employed, notably agriculture and industry. This loss has had a dislocating impact on the indigenous organization of production, productive capacity, labor productivity, and development potential, despite the significant growth rates achieved during the first decade of Israeli rule. Workers' incomes spent in Israel constituted an additional loss to Gaza's economy as well.

For Gaza, integration has entailed increasing reliance of indigenous economic activity on factors outside Gaza's own productive capabilities, and the transfer of economic resources to Israel or otherwise out of Gaza. The economy becomes vulnerable to events over which it has no control, producing to meet demands that are foreign and of little direct benefit, often at great internal cost. Most detrimentally, the Strip's own development along lines independent of those imposed by the integrative process is effectively precluded. Consequently, Gaza's integration into Israel's economy has a corollary: externalization. Externalization refers to the reorientation of economic activity and domestic production away from Gaza's own economic requirements and desires—production for interests that are not indigenous.

The great demand for unskilled workers in Israel, for example, has "served to distort the Palestinian worker's disposition to acquire advanced education, professional training, or higher skills. There has therefore been a considerable 'de-skilling' of Palestinian manpower under occupation."[37] This de-skilling has severely affected the standards of educational attainment and professional development in the Gaza Strip and the occupied territories generally. The educational and labor (skill) development infrastructure has been reoriented toward Israel's economic interests, which has lowered educational standards, curtailed programs, and discouraged academic and scientific research.[38]

Israeli authorities have consistently cited the "release" of labor from the agricultural sector as a key indicator of economic development in the Gaza Strip and West Bank.[39] However, insofar as development is concerned, the critical question remains: the release of labor toward what end and for whose benefit? In Israel and in many developing economies, the decline in agricultural employment typically resulted in the expansion of the workforce in industry and manufacturing, thus signaling a process of rational transformation within the economy as a whole. In the Gaza Strip, by contrast, the loss of agricultural labor reflected the increasing debilitation of the economy, the inability of domestic employment to keep pace with the expansion of the labor force, and the

inability of the economy to mobilize savings from domestic resources and use the benefits of labor migration toward indigenous developmental ends. As such, the decline in domestic employment signified the transformation of the economy from a labor–surplus to a labor–scarce economy unable to compete with the superior income–earning opportunities available in Israel. Indeed, given the vast benefits to Israel of employing Palestinian labor, the argument could also be made that not only did the government have little incentive to promote Gaza's economy, but the continued flow of workers from Gaza was only possible with the continued impoverishment of Gaza's own economy. In this way, integration and externalization can also be understood as a form of expropriation and disinheritance—denying the Gaza Strip the full use of its own human and economic resources.

Furthermore, the migration process has also played an important role in maintaining subsistence, because factor income earned in Israel has enabled Gaza's economy to function in ways that might not otherwise have been possible.[40] For example, as employment in the productive sectors of Gaza's economy declined, little investment or capital formation occurred in those sectors, or in Gaza's own means of production, such as labor, plants and equipment, infrastructure such as transportation and communications, finance and commerce, education, training, and research (especially in the manufacturing process). By 1991, for example, the supply of capital per Gazan worker was $7,000; in Israel, the comparable sum was $40,000. In fact, only 15 percent of Gaza's total resources was directed to investment. This figure is far below investment levels in other third world economies in the Muslim world, Latin America, and non-Muslim Asia. In normal economies, there is a positive connection between the percentage of total resources dedicated to investment and the rate of growth (GNP). The Gaza Strip, however, was able to increase its GNP despite its low investment record because of its heavy reliance on external income from Israel.[41]

Agriculture

The evolution of Gazan agriculture since 1967 provides clear evidence of integration and externalization. In agriculture, the labor force has been redirected into Israel. Production has also been reoriented toward export, tying agricultural production to Israeli technologies. This section will review official Israeli strategies toward agricultural development in Gaza, key sectoral characteristics, and constraints.

Strategy

Since 1967, the agricultural sector has undergone more profound change than any other sector in Gaza. Agriculture has remained the backbone of the Gazan economy. In addition to providing for immediate consumption needs and rural employment, agriculture (especially citrus) has been an important source of foreign exchange and supplier of raw materials for local industry, to

which it is strongly linked. During the first decade of Israeli rule, agriculture experienced steady growth; this was followed by equally steady decline over the second decade. In this chapter, only those factors that have contributed to the decline in productive capacity will be discussed.[42] They include market dependencies, tariff barriers (see trade below), competition, the redirection of agricultural labor into Israel, the lack of public and private sources of finance, the absence of a capital market, inadequate infrastructure, and changing output patterns. These factors created overwhelming obstacles for local producers.

Without question, the existing water problem was also a severe constraint on the agriculture sector's development. Other constraints were the presence of a majority refugee population, climate, ecological conditions often inconducive to agricultural mechanization, fragmentation of land holdings, and indigenous production patterns, which sometimes worked against the introduction of modern techniques. Moreover, as with many third world settings, the richer farmers adopted modern technologies before their less privileged counterparts, which fueled income disparities. Although these problems were (to varying degrees) beyond government control, they existed within a government policy framework that made no attempt to empower the economy to address these problems.

The government's strategy for developing Gaza's agriculture reflected its larger economic development strategy. It is discussed in some detail here because it highlights how policy contributed to de-development. The government's immediate objective was to increase agricultural production in order to meet domestic demand.[43] However, in agriculture, as in other sectors, the longer term goal was to prevent the rational transformation of the structural status quo while tying sectoral productivity, income, and growth to an exogenous force, namely Israel. The adoption of this strategy "was justified at the time by uncertainty over the future of the territories and the lack of desire to create an infrastructure that would be politically unacceptable."[44]

The strategy did not attempt to repair Gaza's weak institutional and economic infrastructures, but rather to work within them. That is, the authorities sought to develop Palestinian agriculture within the existing resource base of the local economy rather than through any structural reform of the rural sector. Consequently, the government intentionally did not promote, and in some instances actively prohibited, heavy capital investments in physical infrastructure (i.e., roads, electricity, communications, water supply, sewage systems, deep sea port); institution-building measures (especially in the critically needed financial sector); land and water reform; the development of marketing and credit systems (both public and private); or improvements in trade with countries other than Israel.

Instead, enhanced sectoral productivity was to be achieved through intensive patterns of farming through the transfer of new technologies (e.g., modern, water-efficient irrigation, fertilization, spraying and pest control techniques, upgraded seed varieties, expanded veterinary services) and was to be geared largely toward export. Such new technologies would tie the production process

to Israeli suppliers. Prior to 1992, for example, no laboratory facilities for testing soil, water, or the leaves of citrus trees existed in the Strip because of official prohibitions on their establishment. Farmers seeking such testing had to go to Israel, and many did not. Consequently, the application of fertilizer, which the authorities have heralded as an important achievement of agricultural policy, was largely unscientific and unguided.[45]

Technology and markets did not rely on the "dynamics of development," but aimed instead to move traditional subsistence agriculture further toward commercially (and export) oriented farming, and toward the production of cash crops that would further bind the occupied territories directly to Israel and neighboring Arab states through trade.[46] In this regard, official policy also aimed, however unsuccessfully, to orient local production to meet the Israeli market's needs by developing substitutes for foreign products imported to Israel.[47] In this way, the servicing of agriculture for export—or the "externalization" of the agricultural sector—was emphasized over the "internalization" of domestic agriculture through rational structural change.

Given the underdeveloped nature of agriculture at the time, technological inputs, no matter how small, produced clear and positive results, especially in cash crops. New techniques and machinery and other low-cost inputs (which were easily adopted due to increased income earned in Israel) raised productivity and output in relation to labor and land.[48] Between 1972 and 1988, for example, the number of dunums irrigated with new technological methods increased from 3,000 to 57,000.[49] However, increased productivity does not necessarily lead to sustainable growth. The relation of technological change to productivity ultimately depends on the quality of the infrastructural base. In the Gaza Strip, the most significant changes occurred in the improved range of *services* offered farmers, not their infrastructure. The government made virtually no major infrastructural investment (in, for example, transportation, power, irrigation schemes, and research and training facilities) over the course of its rule. For example, agricultural manpower training was almost completely eliminated during Israeli occupation.

Any investment in infrastructure that did occur was mostly private. It revolved around the marketing of citrus, the primary cash crop, and was largely limited to the introduction of drip irrigation systems and the construction of six citrus-packing houses. Government resources, which are essential for increasing agricultural efficiency, were virtually nonexistent. Official prohibitions on the development of a credit support system proved a severe handicap on agricultural development overall. Self-finance, furthermore, was constrained by the weak capacity of the informal financial market to which Palestinians were in large part restricted.

Government efforts directed at the development of an agricultural infrastructure were similarly perfunctory. Before the installation of the Likud government in 1977, for example, the government provided citrus and vegetable growers with limited financial incentives for the export of their crops. Develop-

ment loans amounting to £I 21.4 million, approximately 10 percent of the total cost of investment, were also provided for the purchase of tractors, agricultural equipment, and machinery; these ceased in 1976. A handful of cooperatives were given permission to operate, some land along Gaza's coastal strip was planted with trees, and a few tracts were prepared for livestock grazing.[50] However, no support was provided for capital investments in areas that would compete with Israeli production such as dairy processing or fish canning. Moreover, in the post-1976 period, most of the infrastructural changes made in the occupied territories benefitted Israeli settlements, not the indigenous population.[51] Thus, agricultural growth in the Gaza Strip was not based on an alteration of structural patterns or the creation of productive capacity that could be sustained over time. Rather, growth evolved haphazardly out of rapid functional change that necessarily accompanied the post-1967 economic transition. In fact, the Bank of Israel reported that despite increases in output and improved growth rates, agricultural production in the Gaza Strip and West Bank was lower than that of many other developing countries at the time. Limited government investment not only bounded sectoral change within traditional parameters, but, in so doing, created disincentives for private entrepreneurs, who had little reason to invest in so fettered an area.

Agricultural growth, therefore, like that of the economy as a whole, could only occur within prescribed constraints, and on the condition that it would neither impose a burden on the Israeli economy nor threaten Israeli agricultural interests. This was true for the Labor and the Likud governments. In 1985, Yitzhak Rabin, then defense minister, put it bluntly: "[T]here will be no development in the Occupied Territories initiated by the Israeli government, and no permits given for expanding agriculture or industry, which may compete with the State of Israel."[52] This attitude reflected an overall government policy of weak public investment in agriculture despite the early provision of limited credit and improved services. Palestinian agriculture was forced to compete on an unequal footing with Israel's highly capitalized, subsidized, and protected agricultural sector, as well as to conform to that sector's needs and demands.

Thus, it is no paradox that between 1967 and 1987, agriculture initially underwent significant growth, then fell into continuous decline. The high agricultural growth rates of the 1970s, for example, began to tumble as the Israeli economy moved into recession and Arab markets contracted. In fact, despite the growth rates achieved during the first decade of occupation, the actual resource base of the Gaza Strip (and West Bank) economy was quietly and steadily eroding, not only because of the expropriation of water and land discussed earlier, which preceded the establishment of Israeli settlements, but because of the transfer of surplus labor to employment in Israel, which began to take its toll on agricultural growth after 1977. Thus, the combined impact of existing factors and government policies on Gaza's agricultural sector was damaging. The absolute loss of land, water, and labor will curtail the future growth potential of Palestinian agriculture as well.

General Characteristics

A. Impact

The study of agriculture in the Gaza Strip can roughly be divided into a period of general growth (1967–77) and relative decline (1977–87). The impact of official policies can be measured according to three macroeconomic indicators: the agricultural share of GNP, the agricultural share of GDP, and the number employed in agriculture. All three demonstrate a virtually continuous decline between 1967 and 1987.

Prior to 1967, agriculture was the largest single economic activity in the Gaza Strip, accounting for over 33 percent of GDP, close to 40 percent of employment, and 90 percent of all exports. Between 1967 and 1987, the position of agriculture in the economy steadily weakened (in both relative and absolute terms) despite increased productivity and high growth rates achieved during the first decade of occupation. The sector's overall decline is evidenced by the drop in agriculture's share of GDP, which fell from a high of 32.5 percent in 1972 to a low of 13.9 percent in 1984, rising only slightly to 17.3 percent in 1987.[53] Similarly, the sectoral share of GNP dropped from a 1968 peak of 28.1 percent to 10.1 percent in 1987 after having dipped to its nadir of 7.8 percent in 1984.

In the first ten years of Israeli rule, agricultural output and productivity rose. Although agricultural employment decreased, production levels continued to rise, a direct result of improved cultivation methods and technology transfer. Toward the end of the 1970s, growth ceased as the sectoral share of GDP and GNP fell to their lowest levels ever, with only minor recoveries thereafter. The cessation of growth is reflected in agricultural employment, which dropped in the early 1980s when the pull of the Israeli market attracted many farmers, slowing the growth of agricultural production. On average, agricultural employment fell by 4 percent and labor productivity by 3 percent during each year from 1982 to 1984.[54]

Agriculture's early growth and subsequent decline were the result of official strategies that tied agricultural production to Israeli technology and the Israeli market. Internal structural reform was never an option. As a result, agricultural development became dependent on and vulnerable to the dynamics of the Israeli economy; Gaza's own economy was incapable of redressing the imbalance. The decline in agricultural employment in Gaza in favor of wage labor in Israel, for example, had a significant impact on slowing agricultural growth and is one expression of how integration and externalization weaken productive capacity and contribute to de-development.

B. Land Use and Agricultural Output Patterns

Slightly more than one-half of Gaza's 360,000 dunums were cultivated in 1966. About half of all cultivated lands were irrigated; of these, citrus occupied the largest share. Some studies of land use in the Gaza Strip (including the author's) maintain a steady increase in the cultivated area over the whole

period of Israeli rule, whereas others describe ebbs and flows of varying degrees.[55] Adding fuel to the debate are the data presented in table 8.1, which were obtained by the author in 1989 from a confidential source in the Agriculture Department of the civil administration in the Gaza Strip. These data paint a somewhat different portrait of land use and sectoral growth under Israeli rule.

Perhaps the most striking finding is that in just one year, from 1967 to 1968, the number of dunums under cultivation by Palestinians in the Gaza Strip actually dropped 20 percent, from 187,000 dunums to 150,000 dunums. This was probably due to land confiscation or requisitions through state declarations. The decline in cultivated land continued gradually for several years, nearing its 1958 level of 141,000 dunums in the early 1970s. Only in 1972 did cultivated land regain its immediate postwar level, with 151,000 dunums under cultivation. From 1972 onwards, the area of cultivated land rose incrementally with only minor dips. However, the ratio of cultivated land to total land area did not achieve its prewar level until 1983, and in 1985 exceeded that level for the first time since Israeli rule began.

Politics aside, the decline in cultivable area that appears to have taken place with the onset of Israeli rule represented an absolute and critical loss to the local economy, despite enhanced agricultural output resulting from the increased productivity of labor and land. Not only did it take sixteen years for Gazan agriculture to regain the same amount of cultivated area it had held prior to 1967, but by the time it had done so, the other factors of production—water and labor—had significantly weakened and had lost their cost-efficiency in light of the many other constraints in Gaza's larger economic environment. Hence, the loss of cultivable land could not be compensated, especially in an environment where production, markets, and resource use are linked to external factors beyond indigenous economic control.

The losses in cultivated area are also reflected in changing cropping patterns, which were regulated in large part by the government according to the needs of Israeli agriculture. Although the branches of agriculture have remained largely unchanged, their individual contribution to aggregate output has not. Crops have contributed a majority share to total agricultural output, declining from 77.5 percent in 1967 to 69.5 percent in 1989.[56] Through 1984, citrus, vegetables, and other fruits had, in that order, proved the most productive, although the share of citrus to total output in agriculture had been declining since its peak in the mid-1970s. Perhaps the most significant transformation in agriculture since the 1970s has been the shift away from citrus to vegetables as the primary contributor to output. This shift was largely due to Gaza's water shortage and a variety of Israeli-imposed restrictions (see section on constraints below). In 1985, citrus lost its position as the largest single source of value in agriculture, falling below vegetables probably for the first time since the Mandate period. By 1989, the share of citrus in total crop output value was two-thirds less than that of vegetables.[57] Different branches of agriculture show different patterns (figure 8.1). Some are more dramatic than others; most reflect the pronounced

decline of agriculture.

Of all branches of agriculture, citrus has been the most important. Table 8.1 shows that the production of citrus in tons peaked in 1975–76, but by 1988, it had fallen by 46 percent. Thus, between the peak years of 1975 and 1988, 11,000 dunums of citrus went out of cultivation, and production decreased by 108,500 tons (figure 8.2). The high output levels and increased productivity achieved between 1972 and 1976 resulted from the planting of 40,000 dunums prior to 1967, which were just then reaching maturity, and from the use of pesticides, fertilizer, and other inputs, which improved the overall quality of the citrus groves.

However, as the impact of the peak wore off, as financial and technological contributions to agriculture declined, and the problems of water salinity and market share remained unaddressed, agricultural production fell,[58] production costs began to exceed the increase in the citrus sale price, and profits were eroded. Hisham Awartani, a Palestinian economist, explains:

> The drain of labour from agriculture in the occupied territories is almost entirely due to a severe decline in the profitability of all major production sectors. Farmers are being compelled by marginal profits and occasional substantial losses to make the "rational" choice to give up farming and look for an alternative source of income . . . . The crux of the problem, in regard to profitability, stems from the fact that the price system for production inputs and farm produce has been radically restructured to the disadvantage of farmers. The costs of such major inputs as labour, animal-ploughing and irrigation water have risen by 5–18 times, whereas the price of major products . . . has risen by 2–3 times.[59]

Indeed, in 1977, the profitability per dunum for citrus was 160 percent; for vegetables it was 100 percent. By 1987, the profitability per dunum of citrus had declined to 45 percent, whereas that of vegetables remained the same.[60] The loss of profitability resulted in a decline in farmers' income. Between 1979–80 and 1989–90, the farmers' income fell from NIS 162.2 million to NIS 142.7 million, and the average income per self-employed farmer similarly decreased from NIS 22,845 to NIS 17,837.[61] Over time, more and more farmers abandoned their orchards for work in Israel, whereas others replaced their citrus groves with the more cost-effective production of vegetables or other fruits. Hence, between 1967 and 1988, 14,000 citrus dunums went out of cultivation either through uprooting or neglect. By 1987, the citrus branch contributed only 20 percent to agricultural value, half its 1967 share of 40.5 percent.[62]

The vegetable branch of Gazan agriculture, however, has experienced major growth since 1967, a direct result of more efficient cultivation methods and technological innovations (e.g., drip and sprinkler irrigation systems), and of the need to shift production away from citrus to more water-efficient crops. Table 8.1 indicates that the number of dunums planted with vegetables grew steadily from 12,000 to 62,000 between 1967 and 1988. Production likewise increased from 30,000 tons to 150,000 tons (figures 8.1 and 8.3).[63] By 1988, the

Table 8.1. Agriculture Productivity, 1967-1989

year	*citrus* dunums	*citrus* production (tons)	*vegetables* dunums	*vegetables* production (tons)	*fruits* dunums	*fruits* production (tons)	*field crops* dunums	*field crops* production (tons)	*fishing* production (tons)	*total* dunum	*total* production* (tons)
1967–1968	75,000	92,000	12,000	30,000	55,000	20,000	8,000	3,000	2,300	150,000	145,000
1968–1969	71,000	108,000	13,000	33,000	55,000	20,000	8,000	3,000	2,500	147,000	164,000
1969–1970	71,000	140,000	14,500	35,000	54,000	21,500	8,500	3,500	2,450	148,000	200,000
1970–1971	71,000	175,000	16,000	38,000	53,000	22,000	9,000	3,500	2,550	149,000	238,500
1971–1972	71,000	183,000	17,000	40,000	52,000	21,500	9,000	3,500	2,600	149,000	248,000
1972–1973	71,000	178,000	18,000	42,000	52,000	21,000	10,000	4,000	2,600	151,000	245,000
1973–1974	72,000	197,000	19,000	48,000	52,000	22,000	12,000	5,000	2,700	155,000	272,000
1974–1975	72,000	191,000	20,000	50,000	51,800	18,300	13,000	5,000	2,230	156,800	264,300
1975–1976	72,000	237,500	23,000	51,500	49,500	18,500	14,000	4,500	1,770	158,500	312,000
1976–1977	72,000	227,000	25,000	52,500	48,000	18,000	15,000	5,650	2,072	160,000	303,150
1977–1978	70,000	191,000	26,000	54,000	49,000	19,000	17,000	5,000	2,400	162,000	269,000
1978–1979	71,700	176,000	29,000	60,000	49,000	18,500	17,500	5,000	2,320	167,200	259,500
1979–1980	71,700	162,000	30,000	64,000	50,000	19,000	17,500	4,600	2,000	169,200	249,600
1980–1981	71,500	182,000	31,500	70,500	50,000	25,600	21,100	5,100	1,610	174,100	283,200
1981–1982	71,400	201,300	33,200	89,000	47,100	19,500	17,000	2,200	1,240	168,700	312,000
1982–1983	69,000	166,000	35,000	78,000	48,000	23,000	22,000	8,000	1,300	174,000	275,000
1983–1984	67,000	159,500	43,700	104,000	48,350	21,500	26,800	2,500	1,435	185,850	287,500
1984–1985	66,700	175,000	46,200	105,000	48,000	17,000	22,700	1,500	604	183,600	298,500
1985–1986	65,400	147,000	47,100	106,000	45,000	17,100	36,250	2,600	271	193,750	272,700
1986–1987	64,300	191,500	48,700	120,000	44,430	15,900	46,300	14,600	253	203,730	342,000
1987–1988	63,000	190,000	52,200	131,200	45,700	21,300	32,250	6,700	250	193,150	349,200
1988–1989	61,000	129,000	62,000	150,000	46,000	18,000	36,000	13,000	350	205,000	310,000

Source: Agriculture Department, Civil Administration, Gaza Strip, 1989.

* excludes fishing

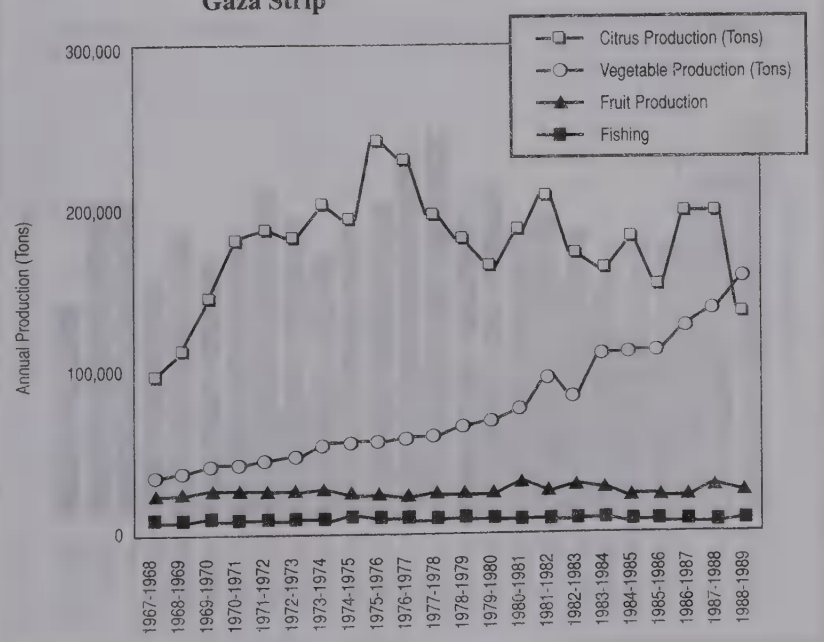
Note: Melons and pumpkins are not included, but since they provide so small a share of total agriculture output, their exclusion does not significantly change the figures provided.

vegetable branch was tied with citrus in its share of cultivated land, which reflected not only the growth of vegetables but the decline of citrus (table 8.2 and figure 8.4).[64] By 1989, the vegetable branch accounted for 44.7 to 48.0 percent of the total value of agricultural output in the Gaza Strip.[65]

Regarding agriculture production, the value share of fruit (other than citrus), which include almonds (typically 45 percent to 50 percent of total output in the noncitrus fruit branch), olives (20 percent to 25 percent), guava, grape, dates, mangos, and figs, decreased from a high of 13.8 percent in 1967 to 4.6 percent in 1986, as seen in table 8.1.[66] The area planted with other fruits, all of which is cultivated under rainfed conditions, comprised 37 percent of Gaza's total agricultural lands in 1967 but only 22 percent in 1988 (table 8.2). With fluctuations attributable to the vagaries in output of rainfed crops, fruit production increased from 20,000 tons in 1967 to 25,600 in 1980, but fell to 15,900 in 1986, improving only moderately to 18,000 tons in 1988. In light of Israeli competition and a strategy that emphasized intensive crop cultivation, melons and pumpkins were virtually eliminated as an agricultural product, dropping from 4.7 percent of output to 0.2 percent between 1967 and 1987 respectively. Field crops have also added little to agricultural output values overall. Table 8.1 places its value share at 2 percent in 1967 and 4 percent in 1988.[67]

Livestock production contributed 20.6 percent of the value of agricultural output in 1967, 30.5 in 1987, and 30.1 percent in 1989.[68] Meat has

Figure 8.1 **Annual Agricultural Production, Main Products, Gaza Strip**

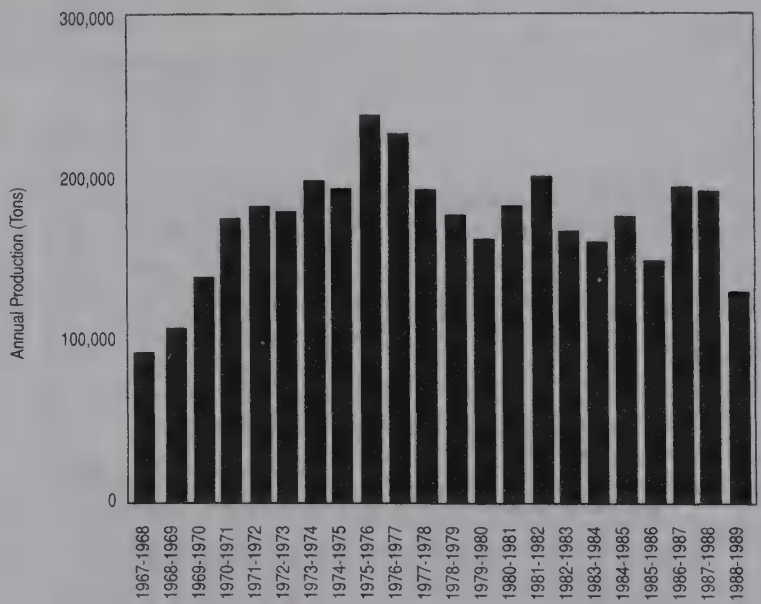


remained the largest single contributor to the livestock branch since 1967 and by 1989 was the third largest source of agricultural value after the vegetable and citrus branches.

Of all livestock components, the fishing industry has seen some of the most dramatic declines since 1967. Table 8.1 indicates a drop in annual tonnage, from 2,300 in 1967 to 350 in 1988 (i.e., a decline of 85 percent over 21 years).[69] The decline in fishing was due to a government strategy that dramatically reduced fishing areas and prohibited any form of production that could compete with Israel. Since the intifada, new restrictions involving fishing areas, permits, fines, and taxes have been imposed on the fishing industry, which have further reduced fishing to a marginal activity. Having once contributed as much as 30 percent to total livestock output, fishing contributed no more than 1 percent by 1989.

Overall, agriculture experienced constrained growth under Israeli occupation. Between 1967 and 1988, aggregate production more than doubled but agricultural productivity increased only 56 percent. Gaza's most lucrative agricultural branch, citrus, experienced serious declines in cultivated area and fluctuating declines in output. The amount of land cultivated with fruit crops also decreased, as did production. The vegetable branch increased its value share of agricultural output but did so at the expense of citrus. Although the area cultivated with vegetables was five times greater in 1988 than in 1967, productivity

Figure 8.2 Citrus Production Per Year, Gaza Strip



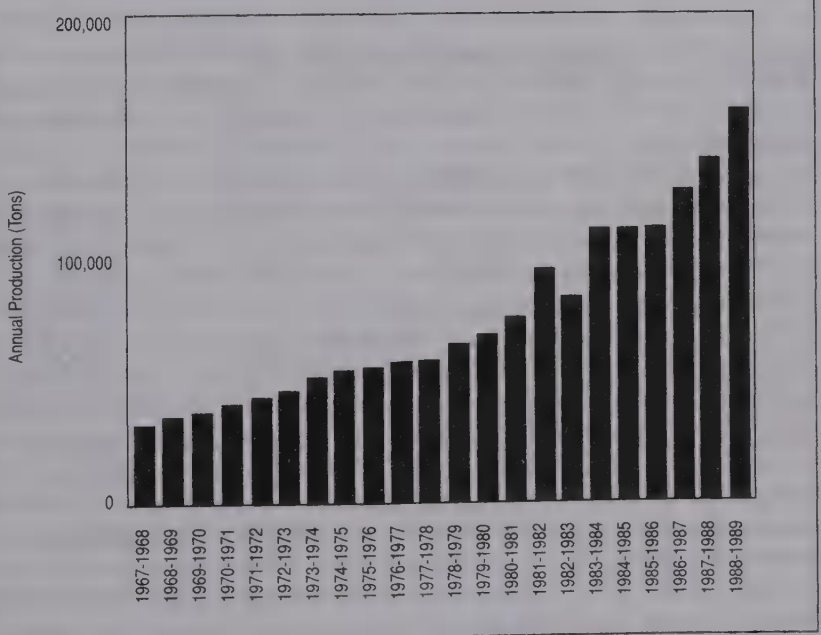
was slightly lower, standing at 2.4 tons per dunum in 1988 (compared to 2.5 tons in 1967). By 1989, agriculture could only add 16.3 percent to the total value of output, a substantial decline from its peak of 57.1 percent in 1976.

Despite some limited growth, agricultural capacity was fundamentally no better in 1988 than in 1967. Agricultural growth occurred within a framework of declining economic resources and increasing constraints; hence, improvements in one agricultural branch could only be achieved at considerable cost to another. Sustainable agricultural development, therefore, was inherently bounded by a variety of constraints, both natural and man-made.

Constraints on Agricultural and Citrus Development

The composition of Gaza's agricultural output changed under the weight of Israeli policy measures and inadequate natural resources, both of which have deprived the Gaza Strip of the potential benefits of economic restructuring. The reduction of cultivated area (through 1985) and citrus output arise from several factors that affect agricultural production generally but citrus most strikingly. Water salinity, insufficient water supply, and high cost of water use have been major constraints on agricultural production and among the most significant factors limiting the impact of increases in productivity. Indeed, as a percentage of total purchased input, water rose from 11.5 percent in 1969–70 to 18.9 percent in 1989.[70] Salinity has had grave implications for Gaza's citrus crop. The

Figure 8.3 **Vegetable Production, Gaza Strip**



area cultivated with citrus and the size of the annual crop have consistently fallen. By 1988, the Agriculture Department of Gaza's civil administration reported that only 11,000 dunums out of 61,000 dunums planted with citrus (18 percent) were in excellent condition. Vegetables have also been adversely affected, although they do not require as much water as citrus.

Land also poses a severe constraint on agriculture, especially on citrus and vegetable production. Several factors have and will continue to restrict the area under cultivation in the Gaza Strip: (1) the excessive fragmentation of land holdings, with 73 percent of farms smaller than 10 dunums in size; (2) consistent decline in the land available to the Palestinian sector for economic (and residential) use owing to Israeli land confiscation policies; and (3) the acute population growth in the territory, which places increasing pressure on existing land areas and other resources.

Reclamation of land, which could in part have compensated for the absolute loss of land since 1967, was legally prohibited, presenting great difficulties to all farmers. Reclamation involves bulldozing a piece of land in order to remove rocks, boulders, and any other obstructive material to make it cultivable. Gazan farmers were legally forbidden to reclaim their own land unless they obtained permission from the Israeli military authorities.

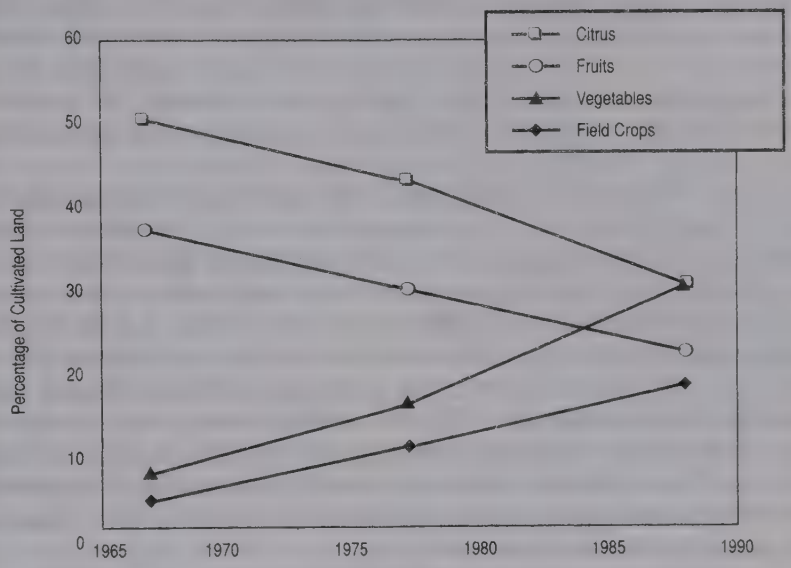
The decline in citrus output is attributable not only to the lack of fresh water and cultivable land, but to other Israeli policies that have had extremely adverse effects on the development of agriculture, particularly citriculture. Over the past two decades, the Israeli military government imposed restrictions that

Table 8.2. Breakdown of Total Cultivated Land

	1967	*1977*	*1988*
Citrus			
dunums	75,000	70,000	61,000
% of cultivated land	50	43	30
Vegetables			
dunums	12,000	26,000	62,000
% of cultivated land	8	16	30
Fruits			
dunums	55,000	49,000	46,000
% of cultivated land	37	30	22
Field Crops			
dunums	8,000	17,000	36,000
% of cultivated land	5	11	18
TOTAL			
dunums	150,000	162,000	205,000
% of cultivated land	100	100	100

Source: Calculated from Table 8.1.

Figure 8.4 Breakdown of Cultivated Land



greatly limited the ability of Gaza citrus producers and merchants to grow as well as market their product. Military orders made it illegal to plant new citrus trees, replace old, nonproductive ones, or plant fruit trees without permission. Permits for these activities had to be secured from the military authorities and could take five years or longer to acquire. As early as 1985, Gaza's agriculture department reported that 10 percent of citrus lands in the northern region and 20 percent in the central region already had old or diseased trees, whereas production levels in the southeast and parts of the center did not even cover costs.[71]

Tax policies further hindered the citrus industry's capacity to grow. Land taxes, perhaps the most severe, were levied according to the number of dunums owned. However, the tax rate used was based on yields per dunum achieved on Israeli citrus farms. Israeli producers and merchants received government subsidies, tax breaks, and other financial supports unavailable to Palestinian merchants and producers. Therefore, Israeli citriculture was far stronger, producing average yields that were substantially higher than those achieved in Gaza. Tax rates on the basis of Israeli production levels did not factor in the different economic conditions confronting Gaza's citrus producers and merchants, nor did they allow for any form of compensation to those individuals in the event of financial loss. A second type of tax, the value added tax, was also applied in a discriminatory manner in Gaza, because Palestinian farmers were not eligible

to receive the same VAT rebate on materials as Israeli farmers.[72] Palestinian citrus merchants were subjected to an export tax that they had to pay before being given a permit to export their produce from the Gaza Strip. (The defense ministry denied the existence of the export tax, although local merchants claimed to have paid it.) Finally, the truck tax, which was levied on every truck transporting produce to Jordan, averaged $2,000 per season through 1987, a considerable financial burden in an environment of evaporating profits and spiralling costs.

The complete lack of institutional credit, subsidies, and financial guarantees against loss, as well as the low interest loans that Israeli producers enjoyed further impeded the capacity of Gaza's citrus producers to maintain and expand production of their crop, let alone compete with their Israeli counterparts who enjoyed greater economies of scale as a result. For example, in 1981, the government earmarked $1,448 million in subsidies to Israeli agriculture—almost twice the value of agricultural output in that year. Although subsidies were steadily reduced through the 1980s, they remained high enough to eradicate any competitive threat from Palestinian agriculture.[73] Subsidies and other forms of support[74] allowed Israeli products to flood Palestinian markets uncontested, and Palestinian consumers became increasingly dependent on them. (This has not changed under limited self-rule.)

Furthermore, the economic, political, and legal relationships between Israel and the occupied territories have consistently precluded commercial ventures between Israeli and Palestinian producers, an important factor distinguishing underdevelopment from de-development. Consequently, few if any economic or commercial links ever existed between the two groups. Another less obvious but important problem is the continued absence of agroindustries to absorb surplus products. For example, the government has continuously barred the establishment of juice and other vegetable food-processing factories in the Strip. In 1992, a citrus processing plant was established for the first time since 1967. Juice factories would help absorb crop surpluses and varieties not in demand as a hedge against marketing problems and price declines. Instead, agricultural surplus (mostly citrus) has traditionally been exported to Israeli juice factories at extremely low prices or allowed to rot on the trees.

Among the most severe problems to confront agriculture and citrus products in particular is the lack of markets and marketing facilities for exports. Between 1967 and 1988, markets for Gazan citrus products steadily declined. As noted in chapter three, prior to 1967, Gaza traditionally marketed its produce to parts of Western Europe, Eastern Europe, and Singapore. Trade with Arab countries during this time was minimal.

Immediately after the June 1967 war, Israel banned Gazans from exporting to all Western markets in order to prevent competition with Israeli agricultural producers and then to limit Gaza's access to foreign economic and political circles. However, between 1967 and 1974, Gazans were allowed to market their products in Europe indirectly through Israel's Citrus Marketing Board

(CMB), but at less than competitive prices and under increasingly disadvantageous conditions. The Eastern European market continued and Gaza Strip producers enjoyed the right of direct export to Eastern Europe through the Israeli port of Ashdod. Markets in Arab countries, particularly the Gulf States, opened up through Jordan as well.

Between 1974 and 1979, when Gazan citrus was at its maximum yield, all marketing in Europe through Israel's CMB was stopped. Seeking to reduce the share of Gaza's exports to Europe, the Israeli government encouraged Gazans to seek expanded markets in the Arab world, which Israel itself could not openly enter. A market with Iran opened up that proved extremely lucrative. During this five-year period, the majority of Gaza's citrus was exported to Iran while the Eastern European market, unable to compete with the prices paid by Iran, ended. With the overthrow of the shah in 1979, the Iranian market shut down.

Still denied access to its traditional markets in Western Europe, Gaza again turned to the Eastern European states. However, by 1979, these states had secured other arrangements, mainly with Cuba, with which they dealt in barter trade. Consequently, in order to enter the market, Gazans were forced to trade in barter, not hard currency. Examples of barter include sheep, wood, and crystal products for which Gazans were charged import taxes. With the fall of the communist regimes in 1989, these markets were jeopardized as well, although a new market with the Ukraine opened in 1993.

Through 1987, Gaza's main citrus export markets were Jordan and (through Jordan) other Arab states. However, Arab markets have imposed their own restrictions on Gazan merchants. According to the Arab boycott laws, no Arab country, including Jordan, would import Gazan citrus that may have used raw materials or processing facilities originating in Israel. Consequently, these countries have limited the quantities of citrus that they import from Gaza and, despite promises to import specific quotas, have depended instead on market conditions in Jordan and the Arab world. Between 1975 and 1985, the percentage of Gazan citrus exported to and through East Jordan declined from 68 percent to 55 percent.[75] In addition, markets in the Gulf states were steadily contracting in response to falling oil prices. As a result, many producers turned to the limited local markets in Gaza and the West Bank as a temporary outlet.

Gaza's farmers have always been prohibited from marketing most fruits and vegetables in Israel, a measure designed to shelter Israeli producers from competition with Palestinian products. Products that have not been competitive within the green line such as strawberries, eggplants, and zucchini have been allowed to enter Israel's markets in limited quantities through the Vegetable Marketing Board. Israeli producers, on the other hand, have had unlimited access to Gaza's markets, exporting substantial quantities of fruits and vegetables at prices with which Gazan farmers have been unable to compete.

The instability of Gaza's marketing system has eliminated any linkage between productive yields and external markets. In other words, there is no planned or rational relationship between agricultural production and

market forces. This has inhibited long-term expansion of citrus and other crops. Economic activity is determined by state policies, not market dynamics. (This problem has not appreciably changed under the economic terms of the Gaza–Jericho Agreement.) Volatile prices and unreliable markets can result in significant unpredictable losses. In such an environment, where the farmer is buffeted by forces beyond his control, often the only rational decision is to abandon farming.

Market insecurity has made it nearly impossible for the agricultural sector to plan production in line with market considerations. Moreover, other sectors (such as industry) have been equally restricted in terms of their linkages with agriculture and their ability to compensate for agricultural decline by absorbing surplus labor, increasing trade, making new investments, or enhancing output. Thus, the lack of structural development and weak intersectoral linkages, together with official policies adverse to agricultural development, "have rendered agricultural decline the single most identifiable and significant trend in Palestinian economic development."[76] Meron Benvenisti states that the "resources available to the agricultural sector were frozen and all growth potential was transferred to the Israeli economy and the Jewish settlers . . . ."[77] The damage that has already been done will not be easily undone.

Industry

Integration and externalization (and their impact on sectoral transformation) are clearly seen in the lack of structural change and limited growth of Gaza's industrial sector. Government policies hostile to industrial development have been the most serious constraints on sectoral development. The industrial growth that has occurred has been confined within traditional parameters and emerged largely in response to subcontracting arrangements with Israeli enterprises. These arrangements are a form of economic integration and externalization in which control and market demand are totally external. Integration in industry is also apparent in Gaza's industrial trade with Israel in which Israel became Gaza's largest and, at times, only importer and exporter of industrial goods (see the section titled Trade, below). This section will first review the general characteristics of industry and then discuss key constraints.

General Characteristics

The character of industrial activity in the Gaza Strip has remained largely unchanged since 1967, when it was highly underdeveloped. Egypt invested only minimally in Gaza's industry, preferring instead to finance the dominant agriculture. Without any means of capital accumulation, industry stagnated. By 1966, only 1,000 establishments employed an average of two to three persons each. Industry contributed a mere 4.2 percent to GDP. Under Israeli rule, the rate of growth was only slightly better: In 1987, approximately 1,900 establishments employed an average of 4.1–4.7 workers each.[78] Industry continues to provide only a small percentage of Gaza's GDP.

Expansion in the industrial sector has been based on existing production processes (i.e., horizontal expansion) rather than on structural innovation (i.e., vertical expansion). The productive and organizational base of industry remains extremely traditional. It is dominated by small-scale workshops that are owner-operated, labor-intensive, and household in nature, and that primarily service local demand. The share of private investment in machinery and capital stock, for example, has averaged around 8 percent of gross domestic capital formation between 1980 and 1989. Moreover, much of this investment has been used to replace old and obsolete stock. With the exception of 1986, there has been little growth in this component of investment since 1980. In Israel, by contrast, the capital stock of machinery and equipment per worker averaged $30,000, compared with just under $3,000 per worker in the West Bank and Gaza Strip combined.[79]

A 1988 survey of industry conducted in Gaza City (table 8.3), where local industry is concentrated, underscored the traditional nature of sectoral activity. Small workshops and cottage industries engage in a variety of activities. According to unpublished estimates by Israel's Central Bureau of Statistics contained in the Gaza Plan, which were based on two industrial censuses carried out in 1969 and 1984, approximately 1,900 Palestinian industrial establishments employed no more than 9,000 people in 1987.[80]

Though 70 percent of these firms were established after 1967, the industrial sector employed only 9.5 percent of Gaza's total labor force and 17.6 percent of its domestic labor force in 1987. Considering that 46 percent of Gaza's total labor force worked in Israel that year according to official estimates, it is clear that the industrial sector in the Gaza Strip has been unable to absorb surplus labor, notably labor released from the agricultural sector or to compete with employment opportunities in Israel.[81] By 1987, the number of Gazan workers in Israeli industry equalled, and according to some sources, exceeded the number employed in domestic industry.[82]

Not only has the number of industrial workers remained very low over the last two decades, but the size of firms—an important characteristic of economic development—has stayed unusually small. By 1991, only 7.5 percent of total employment in Gazan industry occurred in plants with more than 21 persons per plant. In Israel, by contrast, 36 percent of total employment took place in plants employing at least 300 persons.[83]

The lack of structural reform in Gazan industry is also reflected in the character of industrial output, the source of industrial revenue, the level of industrial productivity and investment, the level of productive capacity, and market size.

Industrial output, for example, has remained largely unchanged since 1967, concentrated in traditional sectors of production—textiles, clothing, and leather. These sectors are highly labor-intensive and continue to employ the majority share of Gaza's industrial labor force. In 1987, the CBS indicated that 43 percent of Gaza's industrial labor force was engaged in the production of clothing,

textiles, and leather. Other branches in order of magnitude included basic metals, metal products, and electrical equipment (17.4 percent); other industrial products, of which nonmetallic mineral products constitute the majority share (16.9 percent); wood and its products (15.6 percent); and food beverages and tobacco (7.1 percent).

The Gaza Strip has experienced the growth of two kinds of industries: traditional industries; and industries that complement the Israeli economy, namely textiles, food, and garages.[84] Those complementing the Israeli economy resulted in the growth of small-scale workshops specializing in activities never before known on a wide scale, particularly the low-cost repair of Israeli automobiles, trucks, and agricultural machinery and implements.[85] In short, Gazan industry was externalized to meet Israeli needs. As a result, it developed very slowly, factories remained small, and the distribution of the industrial labor force remained decidedly traditional.

In the virtual absence of structural innovation, the share of traditional branches of industry (food, clothing, textiles) in industrial revenue is quite large—44 percent of total proceeds, compared with 31 percent in Israel. More technologically advanced industries such as electronics do not exist.[86] In 1987, total industrial revenue amounted to $7,005,000, or $961 per worker, compared with $1,650 per worker in the West Bank. The relative contribution of branches to revenue has remained largely unchanged since 1967, indicating little flexibility, vertical integration, and growth. These factors are also evident in low productivity rates and the character of industrial investment.

Between 1980 and 1987, industrial productivity (GDP divided by industrial employment) in Gaza has been quite low—one-sixth the Israeli rate—in all branches of industry (except for food, beverages, and tobacco). During this period industrial productivity has consistently fallen below $1,000.[87] Low productivity is also a function of low investment rates. Industrial investment depends overwhelmingly on private initiatives, itself a serious constraint on sectoral growth. The remaining sources of industrial capital include partnerships and banks.[88] In 1980, three-quarters of surveyed industrial firms indicated that their initial investment was derived from private sources, resulting in the failure of many of those firms. In 1991, for example, the average investment per employee in clothing workshops was $2,000 in Gaza compared with $40,000 to $50,000 in Israel.[89] The dependence on private sources combined with other limitations such as taxation policies and political instability have produced an environment in which investors are extremely wary.

As a result of these limitations, existing industrial firms have been unable to expand or use their full productive capacity. In 1980, a survey of 94 Gazan firms revealed that only 21 used half or less of their productive capacity; 38 absorbed half of their capacity; 30 achieved a utilization rate of 75 percent; and only 5 were operating at a capacity rate of 90 percent or higher.[90] Utilization capacity has been seriously affected by the dearth of export markets, which have been limited to and controlled by Israel. Thus, capital resources cannot be

used efficiently.

Despite its many problems, the industrial sector did experience some growth under Israeli occupation. Its share of GDP rose from 4.5 percent in 1967 to 13.7 percent in 1987. The rise in GDP share was larger than the growth rates experienced by industry in the West Bank. However, this rise was not generated by any genuine internal reform of the sector. Rather, it stemmed from the boom in Israel's economy during the first five years of occupation and the establishment of subcontracting arrangements with Israeli firms.

Subcontracting is a good example of the externalization of Gaza's industrial sector to fulfill Israel's needs. Subcontracting began in 1968 and refers to a widespread practice whereby Israeli contractors provide Gazan industrial firms with semiprocessed raw materials. These firms then complete the processing and deliver the finished product to the Israeli firm at a contracted price. In this way, Gazan industry is integrated with Israeli industry and totally dependent on Israeli demand. Subcontracted products include food, textiles, carpets, clothing, furniture, and shoes. The Gazans who actually do the work may not, in

Table 8.3. Industry in Gaza City, 1988

type of factory	*number in Gaza in 1988*	*average number of employees*
Rug	23	—
Polyester/Textiles	15	—
Paper Tissue	7	4.6
Soda	2	20.0
Pottery	4	2.2
Cosmetics	4	3.6
Biscuit	5	12.4
Copybook	2	33.5
Furniture	6	5.1
Solar Heaters	5	3.7
Nylon Mats	1	10.0
Citrus Packing	7	20.7
Battery	3	4.6
Refrigerator	5	12.6
Plastics	2	6.0
Tiles and Cement Blocks	10	6.1
Car Mufflers	1	5.0
Ice Cream	2	47.5
Masonry	1	7.0
Shoe	4	—

Source: American Near East Refugee Aid (ANERA), Internal Report, Gaza Strip, 1988.

fact, be employees of the subcontracting firms, but rather individuals working at home.[91]

Women, who are employed as seamstresses, are paid at relatively lower rates than men; because their task is one they have traditionally performed in the home, their work is considered inferior and unskilled even though it is not.[92] Women working in Gaza are also paid at lower rates than Arab women working in Israel. This wage differential has provided Palestinian subcontractors with a rare comparative advantage that has, in some cases, singularly enabled factories to survive Israeli competition. The use of cheap and unlimited supplies of labor and low overhead costs have made subcontracting a profitable venture for Israeli concerns.

By the end of 1987, for example, between 80 percent and 88 percent of Israeli textile factories were dependent on labor from the Gaza Strip, where most of the factory production was carried out.[93] However, under the best of circumstances, the absence of vertical integration (which refers to a hierarchical structure with integrated and defined lines of command and function) in Gazan industry, paltry financial resources, restricted markets, limited technological advancement, and the comparative advantage of subsidized Israeli firms make subcontracting a tenuous venture for Gazan businessmen despite the considerable revenue it has generated.[94]

Although subcontracting has introduced some degree of specialization in certain industrial branches and limited technology transfer, it has failed to introduce any structural innovation. This is because the subcontracting process requires no investment in new production methods or in the development of new productive capacities that could be used for the benefit of local economic development. Indeed, when one compares industry's share of GDP with the contribution of industrial exports to GDP, the weakness of Gaza's industry becomes painfully clear. The former refers to the low industrial value added in Gaza, which keeps industry's share of GDP low. The latter refers to the higher value of industrial exports, which reflects the total value of locally manufactured goods and goods produced through subcontracting.[95] The difference between the two values is considerable.

Thus, limited improvements in immediate industrial income, employment, and output have produced few spin-off effects for the local economy, especially with regard to human resource development, capital formation, and structural change. In fact, increased specialization, concentration, and economies of scale in the Israeli textile industry have forced some Palestinian contractors out of business, because Israeli enterprises are more efficient and cost-effective. Subcontracting has been Israel's major source of industrial investment in the Gaza Strip economy. It has in effect transformed Gaza's industrial base into a de facto free zone operating for the benefit of Israeli producers, adding to the many anomalies that characterize domestic economic activity and contribute to de-development.

Constraints on the Development of Industry

Palestinian industry has been unable to grow beyond the traditional parameters that were in place in 1967 because of the overwhelming number of constraints it has faced. Chief among these has been the policy of the Israeli government and the innumerable restrictive measures that derive from that policy.

A. Government Policy

Government policy toward the development of Palestinian industry, perhaps more than any other sector, demonstrates official disregard for and outright hostility toward Palestinian economic development in the Gaza Strip. In industry, as in agriculture, economic policy was a product of the state's larger national–political and ideological imperatives. Given the imperatives of insuring Israeli control over the Gaza Strip and protecting Jewish industry from competition of any sort, the government's goals were: (1) to prevent the development of an independent industrial infrastructure in Gaza that could support an independent economic base; and (2) to protect and serve Israeli economic interests by subordinating Palestinian industry and insuring control over areas essential to industrial development: water and land, the registration of companies, trademarks, commerce, tradenames, patents, licenses, taxes, finance, planning, property rights, and trade. This policy has done much to dwarf Gazan industry.

The government never attempted to establish policies, institutions, or regulations that would facilitate development of an industrial base. Early, albeit limited, support for local industry was part of the effort at normalization, which aimed at enabling economic activity to resume, reactivating economic ties, and alleviating unemployment. It was not intended to industrialize the Palestinian economy. The development of a capital-intensive industrial infrastructure, for example, was never a serious option. Government support for local industry dwindled after 1975, particularly as employment in Israel proved to be a more efficient and cost-effective normalization mechanism.[96] Between 1984 and 1986, government expenditure on industry in the Gaza Strip was 3 percent of the total budget, and development expenditure for all three fiscal years did not include any allocation for industry.[97] Since 1980, the trade and industry department of the military government has merely regulated weights and measures, enforced military orders dealing with industry, and actively prohibited many forms of industrial development.[98] In industry as in agriculture, government assistance in the form of tax breaks, export subsidies, subsidized credit,[99] surety bonds, and greater training allowances were not extended to Palestinian industry. No Palestinian firms have ever been registered in the Tel Aviv stock market, nor have Palestinians from Gaza and the West Bank ever been allowed to invest in financial and physical assets in Israel.

The absence of policies, institutions, and regulations not only precluded effective structural change but insured that any local industrial advancements could occur *only* through economic integration with Israel. That is why the comparative advantage offered by lower labor costs in the Gaza Strip never led

to any substantive industrial development, as neoclassical economics dictates. Consequently, and in the Gaza Strip especially, Israel promoted the "externalization" of the industrial sector to fulfill its own industrial needs over the "internalization" of industry through indigenous structural reform to meet Gaza's.

As far as industry is concerned, three major factors have militated against the development of the industrial sector in the Gaza Strip: marketing and trade (discussed in detail in the section titled Trade, below), finance (discussed in the preceding chapter), and training (discussed in the next chapter). Government policy has defined activity in all three.

Gaza's terms of trade were shaped by the physical barriers separating the Arab economy from its natural hinterland and controlled by three singular forces: the State of Israel (the most powerful), the government of Jordan, and the domestic market. The Israeli government redefined and reoriented trade to protect Israeli producers from competition and insure their continued domination of domestic and foreign markets. Local businessmen frequently cited the limited size of markets as a major constraint to industrial growth.

Through 1993 Israel imposed a one-way system of tariffs and duties on the importation of goods through its borders; leaving Israel for Gaza, however, no tariffs or other regulations applied. Thus, for Israeli exports to Gaza, the Strip was treated as part of Israel; but for Gazan exports to Israel, the Strip was treated as a foreign entity subject to various "non-tariff barriers."[100] This placed Israel at a distinct advantage for trading and limited Gaza's access to Israeli and foreign markets. Gazans had no recourse against such policies, being totally unable to protect themselves with tariffs or exchange rate controls. Thus, they had to pay more for highly protected Israeli products than they would if they had some control over their own economy. Such policies deprived the occupied territories of significant customs revenue, estimated at $118–$176 million in 1986.[101] (Arguably, the economic terms of the Gaza–Jericho Agreement modify the situation only slightly.[102])

Israel also has imposed quotas on the type and amount of raw materials that could enter the Gaza Strip for use in local manufacturing.[103] Such quotas have particular significance for industry. They have enabled Israel to limit artificially the level of demand for and production of goods manufactured in the territories, thereby imposing clear structural constraints on the industrialization process. (This has not effectively been changed by the 1994 economic protocols.)

Gazan industrialists also have suffered from Arab export restrictions. The Arab boycott has, in effect, left the "open bridges" only partially open, preventing industries established after 1967 and unlicensed by Jordan from exporting to Jordan. Exports could not originate in Israel or contain any Israeli raw materials.[104] This restriction has contributed to the termination of all Gazan industrial exports to Jordan since 1982, effectively closing off the only market where they could possibly compete. Industrial exports to the Jordanian market could

therefore contain only raw materials imported through Jordan. The heavy Israeli customs duties and taxes at the bridge[105] and the excessive costs of transportation have undermined trade with Jordan and through Jordan to the Arab world.[106]

Industrial development has also been severely limited by such factors as the absence of financial intermediary institutions, commercial and industrial development banks, and credit of various kinds.[107] Some of these restrictions have been detailed in the section on financial institutions in the next chapter.

Another severe constraint on industry is the lack of a trained industrial labor force. Limited vocational and technical training opportunities and educational attainment of the labor force have contributed directly to the de-development of industry. Inadequate training, in part a function of financial constraints, is also attributable to Israeli government policies that have curtailed or eliminated training opportunities. This is described in greater detail in the next chapter.[108]

The licensing of industry has been another impediment to the sector's development. All powers formally held by local and foreign authorities for regulating industrial activity were transferred to the military government soon after the 1967 war. Authority over licensing decisions has rested with the officer in charge of trade and industry within the military government. Licenses have been required for all forms of industrial activity and have been carefully dispensed and prohibitively expensive. Licenses have been used to regulate industrial activity in Gaza in order to suppress competition with Israel and restructure local industry in line with Israeli needs. Approval by no means ensured the issuance of a license. Many industrialists have waited months and years for a license after receiving official approval for a project.[109] Examples include the denial of licenses for the establishment of fruit-processing factories and a [construction] materials testing laboratory.

The official disregard for Palestinian industry did not extend to Jewish industry. Prior to the election of the Rabin government in 1992, for example, the government provided substantial assistance to local industrial investors in Gaza's Jewish settlements. Investors could choose between a 38 percent bonus or a 66.66 percent loan guarantee with a 10-year tax exemption.[110]

In 1988–1989, furthermore, Israel's employed industrial workforce of 280,452 outnumbered the *total employed labor force* of the Gaza Strip by more than 2 to 1. By 1991, the total revenue from industry in the Gaza Strip was less than 1 percent of what it was in Israel.[111] From 1967 to 1987, government investment accounted for close to 50 percent of gross capital formation in Israeli industry, but close to zero percent of Gaza's industry.[112] Whereas in Israel the government has played the primary role in infrastructural development and in the financing of industry, in Gaza, under the best-case scenario (1969–75), the government restricted its participation to small-scale loans for expanding and retooling local factories and export subsidies for local manufacturers. Measures protecting infant industries, normally found in many less developed econo-

mies, were denied in the Gaza Strip, although Israel itself has been granted such privileges by the EEC.[113] Indeed, industrial value-added in the Gaza Strip and West Bank combined has been so low that it fell below the value-added of some individual Israeli firms.[114]

B. Other Constraints

Apart from Israeli-imposed constraints, Palestinian industry—especially the small-scale workshop—has suffered greatly from inadequate quality control. Gazan manufacturers have little experience with standardization, packaging, health, labeling, and content specification requirements expected in most international and regional export markets. Moreover, local industrialists, especially in the isolated Gaza Strip, have little if any experience in satisfying the diversified consumer demand in markets beyond Israel and the Arab states; consequently, they are ill-equipped to produce for and compete in those markets. In part, this shortcoming has derived from Israeli-imposed restrictions on direct trade between the occupied territories and the world market, which have prevented the Palestinian entrepreneur from coming into direct contact with external markets and learning about international trade.

The closure of certain markets and the restricted access to others have forced Gazan manufacturers to focus inward on their own limited domestic markets and fostered intramarket competition. However, without a national trade policy designed to regulate competitive behavior and protect local manufacturing from Israeli competition, the weaker and smaller firms in Gaza have been defeated by their stronger and larger counterparts. Further eroding the possibility for the development of an industrial infrastructure has been the Strip's unchanged adverse balance of payments position and the inability to promote needed industrial development strategies such as import substitution or export promotion.[115] Moreover, there has been very little intraterritorial trade between the Gaza Strip and West Bank in both industrial and agricultural goods, which acts as an additional constraint on the expansion of an industrial base. Indeed, Israeli production and the Israeli market have effectively precluded the development of any significant common market arrangements between Gaza and the West Bank.

Conclusion

The lack of growth and diversification in Gazan industry has resulted from Israeli policies that Meron Benvenisti has termed "integration and exclusion": integration of Gazan industry into Israel's economy when integration benefits that economy, and exclusion when it does not. Without long-term planning or strategy, Gaza's industry has been crippled by many constraints: limited domestic and foreign markets, lack of adequate natural resources, low investment, poor technology, the export of labor, massive industrial imports, low productivity, undercapitalization, and the absence of a developed infrastructure (especially electricity). This combination of constraints has created an industrial

base in the Gaza Strip with few means at its disposal to initiate needed structural transformations or "takeoff," particularly with regard to and as measured by the scale or organization of production, the absorption of labor, new investment, productivity, changes in the composition of output, and a widened marketing scope. This in turn has prevented the emergence of those basic or technologically advanced industries commonly seen to "lead" the development process in the third world. Consequently, the Palestinian economy has been incapable of completing a critical stage in structural readjustment, namely, the development of the industrial sector in a manner that would enable the economy to compensate for the decline of agriculture and the problems in other sectors.[116] The Strip has been unable to develop the infrastructure needed to accumulate enough capital to support and promote industrial growth and development. Vulnerable, unprotected, and with limited markets, Gazan industry remains dependent on Israel to generate activity within it.

Israeli forecasts made in 1986 for industry in the year 2000 projected continued stagnation. "New plants will be established to supply the basic needs of the population and traditional exports, but the growth in the number of plants and employment will be less than the growth in population,"[117] a critical indicator of continued de-development. Israeli planners also predicted that if the constraints on industrial development were to be overcome, the initiative would have to be external (i.e., European) and non-Israeli. However, the planners noted that such an initiative would encounter considerable political difficulties given Israel's trade agreements with the common market, and the free trade agreement with the United States in particular.

Although the planners considered the prospect extremely unlikely, they did state that should the Israeli government decide to act, it would have to promote the development of an industrial infrastructure and encourage European investment in joint Israeli–Gaza Strip ventures "whose products could penetrate European and American markets as Israeli goods." Indeed, the planners did add one note of qualification: "The condition for such ideas to succeed, given Israeli economic realities, is that the products would not compete with Israeli goods in the latter's traditional markets."[118]

Trade

General Characteristics

The decline of agriculture, the stagnation of industry, and the disproportionately important role of exports in generating product value point not only to the direct linkage between local production and Israeli demands but to Israel's domination of Gaza's export capabilities. Because the terms of trade of the Gaza Strip were removed from normal market forces and were shaped instead by demand conditions in the Israeli economy, the principles of comparative advantage have been distorted.

Although some of the Strip's prewar trading patterns were maintained

during Israeli rule, a few dramatic new changes were introduced. The two most significant were: (1) the redirection of trade to Israel resulting from the closure of traditional trading outlets and Israeli-imposed tariffs that have given Israel a comparative advantage over foreign competitors (as well as changes in the composition of trade); and (2) the institutionalization of a one-way trade structure whereby the Gaza Strip was turned into an open and unprotected market for Israeli exports. In addition, the growth of trade between the Gaza Strip and the Arab world, particularly citrus exports to Arab and Asian countries, has increased significantly since 1967. However, imports from Arab countries have not been allowed in Gaza.[119] In trade, as in labor, structural integration between the economies of the Gaza Strip and Israel has been extensive, as has the externalization of domestic economic activity. Indeed, the disproportionately large percentage of labor obliged to seek work across the green line has helped create a captive market for Israeli goods in the Gaza Strip and West Bank.

Since 1967, exports and imports have filled a significant portion of aggregate demand in the Gaza Strip. However, this trade has been restricted to three key markets. Israel, for one, has become Gaza's largest trading partner, followed by Jordan, the Arab Gulf, and other countries, primarily Eastern Europe. In 1968, for example, exports to Israel accounted for 29 percent of Gaza's total exports, but by 1987, this share had grown to 92 percent. Imports from Israel have been very high from the beginning. The visible trade of the Gaza Strip, furthermore, is characterized by an excess of imports over exports, a pattern established long before Israeli rule but acutely extended during that rule.[120] Imports have escalated as local demand has increased.[121] For much of Gaza's visible trade, both Israel and Jordan act as conduits rather than as final destinations for goods. For invisible trade (i.e., labor services), the direct importance of these two markets has been substantially greater.

However, imports from Israel alone have comprised an overwhelming share of Gaza's trade. In 1986, 86 percent of total imports were industrial, and 93 percent of total industrial imports originated in Israel. Agricultural commodities accounted for only 14 percent of total imports, but again, Israeli agriculture accounted for 84 percent of total agricultural imports. It should be understood, however, that Gaza's import trade has been severely distorted by the growing need to purchase so many consumer goods from Israel. These goods could have been made locally if Israel had not prohibited the development of import substitution industries.

Exports, too, were largely restricted to Israel. In 1986, Israel received 85 percent of Gaza's total exports, which were predominantly industrial products subcontracted by Israeli merchants. Industrial exports constituted 88 percent of Gaza's total exports to Israel. Exports to Jordan and Eastern Europe were strictly agricultural. In 1986, Jordan was Gaza's largest export market for agriculture, absorbing 54 percent of total agricultural exports or roughly 14 percent of total exports. Exports to other countries have steadily contracted since 1973, falling dramatically from 54 percent in 1968[122] to 1.2 percent in 1987.[123]

Similarly, the value of imports has risen steadily and has sometimes grown faster than both consumption and GDP. European imports alone increased in value from approximately $3 million in 1972 to $14 million in 1987.[124] Imports rather than domestic resources have become the critical factor in satisfying consumption demand, yet another indicator of Gaza's limited productive capacity. Conversely, the value of exports, despite a slow recovery, declined by 6 percent between 1972 and 1985 and by as much as 44 percent between 1982 and 1985. The resultant import surplus has accounted for a growing share of Gaza's expenditure on GDP and is another indication of the economy's limited productive capacity and inability to redress the use of its own resources in a more efficient form.

In 1987, Gaza's trade deficit equalled $277.2 million, an increase of 130 percent from 1982. The largest share of the deficit, $259.5 million or 94 percent, was accrued in trade with Israel. Trade with other countries contributed $29.5 million, and trade with Jordan, which gave Gaza a modest surplus, eased the deficit by $11.8 million. Traditionally, the deficit has been financed not by trade but by external remittances and wages earned by Gazans working in Israel, two sources of revenue that have eroded since the Gulf war.

Constraints on Trade

The warped trade performance of Gaza's two most important sectors derives from Israeli and Arab restrictions on the expansion and diversification of exports and limited markets (two problems universally cited by local industrialists in interviews), and heavy dependence on imports for domestic production and consumption needs. Interestingly, there is little relationship between the composition of output and export trade, where normally a relationship should exist. Agriculture's relatively large (though declining) contribution to domestic economic output, for example, is not reflected in its small share of total exports. Similarly, industry's virtual stagnation and minor contribution to local economic growth in the Gaza Strip is inversely related to its predominant share of Gaza's export markets. Consequently, the composition of output has had no discernible influence on the structure of exports, an expression of irrational growth in Gaza's production and export sectors.

This "irrationality" has resulted largely from the distortion and reorientation of Palestinian production and export performance away from the free market, toward Israeli demands and commercial interests. It has also resulted from Israeli and Arab-imposed constraints that have shaped the level and quality of production and export flows.[125] For example, the growing share of industrial goods in Gaza's total exports might appear to be an indication of a stronger industrial sector. In Gaza, however, it reflects a production process that is linked to and driven by Israeli industrial needs, not domestic economic capabilities. Hence, the benefits of trade are not those associated with specialization and higher returns in production. Rather, trade is necessary for basic economic survival. In the final analysis, the issue is not really one of exchange but of how to

pay for the goods imported.[126]

Gaza's trade problems are linked to a variety of factors affecting agricultural and industrial production, some of which have already been discussed. Limitations on the development of Palestinian trade are mainly due to the structural underdevelopment of the economy and Israeli measures that have restricted structural reform and external sector performance. Although it is difficult to disentangle organic from imposed constraints, it is easier to understand the impact that such constraints have had. It is beyond the scope of this chapter to detail the many problems affecting trade; however, certain issues of particular relevance to de-development are briefly highlighted here and discussed at length in the next chapter.

Because access to external markets is so restricted, the small size of the domestic market is a critical problem. Gazan manufacturers would have to install expensive new machinery to compete with Israeli product lines in Gaza's markets. However, local markets are so small and export potential so limited that any form of internal expansion would be an exercise in financial folly, especially because production capacity is already underused.

Moreover, the unrestricted flow of Israeli goods into Gazan markets has narrowed the home market further. In fact, prior to the intifada, many Israeli imports competed with goods that were also produced in the Gaza Strip and West Bank, such as soft drinks, cigarettes, clothing, and shoes. Local producers found it difficult to compete because they remained unprotected and Palestinian consumers preferred Israeli over domestic products and had the incomes to purchase them. As such, the Gaza Strip became a captive market for low-priced Israeli agricultural goods and substandard industrial products. Whereas the success of Israeli industrial products could be attributed to the interaction between a highly industrialized economy and one that was comparatively underdeveloped, the decreasing share of local agricultural producers in their own markets leaves perhaps one explanation: Israel has dominated the market and imposed policies that constrain and discriminate against local production.[127]

In the Gaza Strip, only 44.5 percent (on average) of marketed fruits and vegetables were produced locally each year between 1980 and 1986.[128] The domestic consumption of fruits, vegetables, and melons accounted for roughly a quarter of total output in Gaza.[129] Thus, even if local agricultural produce could substitute for Israeli imports, there would still be a large surplus that cannot be absorbed by the limited external markets accessible to Palestinian producers. Consequently, much of this surplus has been marketed locally, and the remainder has simply rotted. Spoilage has been an ongoing and growing problem.[130] With such a limited home market, local development has had to depend largely and disproportionately on Gaza's constrained external trade.

Another serious problem is the virtual absence of an organized and integrated marketing infrastructure.[131] Restricted markets, poor export potential, and the continuing underdevelopment of the economy have done little to reverse the low levels of investment in physical infrastructure needed to promote

and expand export marketing and everything to sustain them. The lack of an institutionalized marketing infrastructure has adversely affected the quality of production and export/import patterns in the Gaza Strip, as well as the local economy's ability to compensate and redress these problems. This erosion of capacity is a distinguishing feature of economic de-development.

A Review of Domestic Resources and Uses

The changes wrought by official policies of integration and externalization and their impact on Gaza's productive capacity suggest a critical analytic distinction between aggregate performance and sectoral change. The performance of domestic resources (e.g., GDP, net factor income, national income) and domestic uses (e.g., private and public consumption, national savings, capital formation, exports, and imports) reveals the strength or weakness of an economy.

Domestic Resources (Production)

During the first two decades of occupation, the Gaza Strip economy experienced the unsteady growth of its GDP and GNP along with increases in private consumption and investment. For example, GDP grew from $183.5 million (in constant 1990 dollars) in 1972 to $481.2 million in 1987, an increase of 162 percent. GNP similarly grew by 223 percent between 1972 and 1987, rising from $256.5 million to $828.8 million, respectively.[132] Per capita, GNP rose from $669.9 to $1,492.5.

The period of greatest growth was 1972 to 1975, when Gaza's GDP grew by an annual average rate of 16.9 percent and GNP grew by 18.3 percent. Such impressive growth rates—even higher than Israel's—were in large part spurred by the recovery of the immediate postwar period, interaction with the expanding and prerecessionary Israeli economy, and the indirect effect of the growth of the Arab oil-based economies. Once the adjustment process played itself out, the difference in growth rates between the Gaza Strip and Israel disappeared and eventually reversed itself. Between 1976 and 1980, GDP and GNP dropped to 3.4 percent and 4.4 percent, respectively. Although these rates rose slightly during the 1980s, they never again approached the rates of the early boom period.

Despite this growth, and that of employment, Gaza's economy, with its poor infrastructure and limited capital formation, remained weak and disabled. Looking at the performance of GDP over time, three trends stand out: (1) agriculture's share continued to decline, whereas industry's was always minimal; (2) construction and services generated a disproportionate share; and (3) the growth of GDP was fueled largely by external resources and consumption.

For reasons already discussed, agriculture and industry grew less than other sectors and less than GDP. Thus, productive sectors have played a minor role in economic growth. The progressive weakening of the agricultural sector, for example, left it increasingly unable to satisfy local demand and improve its

export performance. Some restructuring of production patterns occurred, particularly in response to the declining availability of water and land, but did not introduce the kind of structural change needed—diversification, expansion, integrated planning, production of inputs, and strengthened marketing infrastructure—to increase employment, enhance income, and improve output performance.

Gazan industry fared no better. Although industry's share of GDP increased during the first two decades of occupation, industrial production and revenue were largely concentrated in traditional areas, linked to Israeli demand, and catalyzed by subcontracting arrangements with Israeli industry. Whereas these factors were largely responsible for generating activity and encouraging some growth, they promoted and reinforced a form of structural dependency that rendered Gaza's industrial sector incapable of achieving adequate economies of scale—the basis of rational economic behavior—and of redressing existing constraints and deficiencies.

By contrast, the construction and services sectors enjoyed a rapid rise in output between 1967 and 1987, and growth rates that often exceeded those of GDP. This strong performance is linked to two factors, neither indicative of rational structural change: the desperate need for housing in the Gaza Strip, and the dearth of investment opportunities outside residential building. Moreover, most of the activity in this sector was financed by private earnings and remittances, not by locally generated revenue or government investment. Indeed, the building and construction sector has received the overwhelming share of private investment since 1981. Investment and capital formation in the private sector have accounted for 85 percent of total capital formation in the Gaza Strip. The services sector, which includes public, community, and private (e.g., transport) services, accounted for the overwhelming share of domestic output—over 50 percent—for the period 1967 to 1987.

The dominance of the services sector is due to the important role of retail and wholesale trade activities in Gaza's economy. These activities were fueled by rapid increases in private consumption and by transport services that benefitted greatly from the daily commute of at least 70,000 Gazans to Israel. Hence, the strength of the services sector, like that of construction, did not derive from or contribute to improved productive capacity or rational structural transformation, but from the declining position of agriculture and industry in domestic production and from the externalization of labor and dependence on Israel.

The performance of individual sectors indicates that despite measurable economic gains, productive capacity did not improve and aggregate performance was bounded by a variety of constraints, including but not restricted to limited markets, poor infrastructure, weak investment, and inadequate financial intermediation. (Financial intermediaries are financial firms such as banks that stand between ultimate lenders—households—and ultimate borrowers—businesses. Lenders place funds with intermediaries, which in turn lend them to borrowers.) Hence, although capital was clearly being generated, there were no

mechanisms such as financial and credit institutions through which it could be accumulated and invested in development. Without large capital formation in the different sectors of Gaza's economy, especially the productive areas, economic infrastructure could not be created or strengthened; institutions could not be improved; enterprises could not expand; and new employment opportunities could not easily be created. One important measure of economic weakness—and a distinguishing feature of de-development—is the swift reversal of achieved economic gains. In Gaza, such a reversal occurred during the intifada as is explained in chapter 10. Again this suggests that the "gains" achieved under Israeli occupation did not result from improved productive capacity and structural readjustment or innovation, enabling the mobilization of domestic resources, but from gross structural imbalances such as the economy's heavy reliance on external factors for generating domestic and national growth. As a result, the impact of GDP growth was confined to nothing more than enhanced purchasing power and rapidly rising consumerism.

Domestic Uses (Consumption)

Domestic resources are not the only measures of Gaza's economic distortion. The main components of aggregate demand—consumption (expenditure), savings, investment, and trade—provide equally revealing measures of Gaza's de-development. The most significant component on the demand side of the Palestinian economy has been consumption, the largest portion of which has been private (personal) consumption expenditure. Real levels of private consumption in the Gaza Strip tripled between 1972 and 1987, resulting from a significant rise in earned income, private transfers, and remittances. Notably, the value of consumption (goods consumed) has often been greater than the value of GDP (goods produced), a disparity that underlines the importance of external financial sources in servicing local demand. This fact strongly points to the structural debilitation of the Gazan economy and its de-development.

Given that consumption has often exceeded output, the need for imports has been tremendous. The rapid rise in imports has diverted a considerable share of national resources that under "normal" circumstances would be used to develop a productive base. The rise in aggregate private consumption is not reflected in individual consumption because Gaza's exponential population growth has cut into per capita consumption, particularly after 1980.

The savings component of aggregate demand is another indicator of Gaza's tenuous economic base, especially when measured against the role of external financial resources in generating savings. Given that private consumption consistently outstripped GDP, the ratio of domestic savings (savings drawn from domestic resources) to GDP was consistently negative between 1967 and 1987: –49 percent in the Gaza Strip for a loss to GDP (or domestic dissavings) of $286 million. However, the ratio of national savings (savings drawn from all resources) to GDP was consistently positive given the reliance of national savings on income earned abroad, accounting for 13 percent of the Gaza Strip

GNP in 1987.[133]The difference between domestic savings and national savings points to the importance of external income in generating internal growth and to the increasing morbidity of the economy with respect to mobilizing savings from the resources available to it.

Israel lauds as advances in the local standard of living the growing levels of private expenditure and consumerism; clearly, however, they would not have been sustainable without the contribution of external sources of revenue to savings. Thus, although individual Palestinians were accumulating material possessions and improving their standard of living, their economy was growing weaker. The inability to mobilize financial resources within the local economy (stemming from weak financial institutions capable of saving and investing) progressively encouraged the rechannelling of savings from investment to consumption. In this way, savings were increasingly eroded by expenditure.

The status of investment resembles that of savings. In Gaza, investment is largely a private sector initiative, because government investment dropped from 6.6 percent of GNP in 1972 to 3.4 percent in 1987. Foreign investment has also been negligible. Prior to the intifada, the rate of private investment in the Gaza Strip was high—82 percent and 88 percent of total investment spending in 1972 and 1987, respectively[134]—but the growth or effectiveness of such investment was modest. Investments have been concentrated in two areas: social overhead investment (SOI) and directly productive investment (DPI). The former refers to building and other forms of construction and is not production-oriented; the latter is defined by investment in machinery and new equipment that improves productive capacity. Throughout the occupation, SOI accounted for the largest share of Gaza's fixed private investment. In the early 1970s, SOI absorbed nearly two-thirds of private investment in the occupied territories and DPI accounted for the remaining third. A decade later, the share of DPI had fallen to almost one-fifth. Whereas SOI enjoyed an average annual growth rate of 15 percent between 1972 and 1987, DPI grew at an average annual rate of 9 percent. Between 1980 and 1987, 88 percent of Gaza's fixed capital formation was invested in SOI.

Weak investment patterns in productive activities reflect official priorities and structural constraints that actively opposed the development of a productive economic base in the Gaza Strip. Instead, domestic investment has been channelled largely to the residential sector, not to development-related activities that would transform Gaza's productive capacity and economic structure.[135]

Another distinguishing feature of the Gaza Strip economy is the prominent role played by trade in meeting total local demand. Exports have risen erratically over time, accounting for 56 percent of Gaza's GDP in 1980 and 39 percent in 1987. Imports, however, rose steadily and rapidly, far outstripping exports. Between 1980 and 1985, imports accounted for 133 percent of Gaza's GDP, or more than twice the value of exports, indicating the inefficient and distorted use of domestic resources. Imports absorbed a significant part of consumption demand and grew faster than both consumption and GDP, exacerbat-

ing the dramatic trade deficit that has plagued the Gaza economy at least since Egyptian times.

Given the weak performance of exports, increasing reliance on imports, and low domestic output levels, Palestinian national income has had to rely increasingly on external sources of finance—net factor income (the largest component) and net transfers—for generating growth. Net factor income, largely composed of income earned in Israel, equaled 42 percent of Gaza's GNP in 1987. In 1987, income from external factor payments to the occupied territories fell just below total GDP (to which agriculture and industry contribute), another striking indicator of meager productive capacity. Without factor payments, Gaza's GNP would have grown at a rate well below that of domestic output.

Net transfers from abroad have played a supplementary but needed role. They comprised 11 percent of Gaza's GNP in 1980 and 7 percent in 1987. Net transfers are composed of remittances from workers in Jordan and the Arab Gulf; Israeli government transfers to the civil administration budget; Arab government transfers to municipalities; and transfers from international agencies (the largest of which is UNRWA).

With the availability of external sources of finance, Gaza's gross national disposable income (GNDI), like GNP, enjoyed considerable growth. However, the external basis and dependent nature of domestic and national income meant that the gains in income levels had increasingly little to do with Gaza's productive capacity. Since 1967, the ratio between investment in productive activities and national income showed little improvement. This reveals a weak link between growing national income and improved productive capacity.

The growth of Gaza's domestic and national products did not reflect strengthened capacity or the kind of structural transformation that normally accompanies economic growth. If anything, Gaza's growth occurred despite the weaknesses of the domestic economic sector, not because of it. By 1987, the Gaza Strip economy was only capable of generating 50 percent to 60 percent of its national income and employment from domestic sources. Were it not for external financial resources, no savings would have been possible at all (given the weak performance of domestic output). Furthermore, those savings that did accrue were, in the absence of productive investment opportunities, diverted mainly into residential housing. Consequently, local demand was increasingly met through rising imports; the resulting trade deficit has become a permanent feature of the local economy.

Taken together, these pieces of economic performance form a clearly warped whole, a whole that has been de-developed. That Gaza has undergone de-development is clear from its distinguishing economic characteristics: the stagnation and distortion of key productive sectors; the disarticulation between productive sectors (i.e., the uncoupling or disuniting of sectors that leaves them functioning in relative isolation, responding to external forces, not each other); import dependency in lieu of enhanced productive capacity to satisfy local consumption demand; the inability of exports to generate sufficient foreign ex-

change; the inability of the economy to mobilize domestic savings or finance consumption and investment; rising unemployment and the continued erosion of the economy's ability to absorb labor; and increasing dependence on external sources of finance to generate GDP, GNP, and GNDI growth. These conditions reveal profound structural weaknesses that render the economy unable to readjust or self-correct. They also bring home just how transient Gaza's economic gains have been and how little they have contributed to the rational restructuring of the economy.

Conclusion

Integration and externalization have had a marked impact on Gaza's key economic sectors. Weakened by the expropriation of its own economic resources, Gaza's economy became increasingly and structurally dependent on external (largely Israeli) resources for domestic growth. This dependency was imposed and achieved through economic integration with Israel and Gaza's externalization toward Israel's economic needs.

Integration and externalization resulted in (1) the reorientation of the labor force away from domestic agriculture and industry toward Israel; (2) the reshaping of agriculture toward export production and reliance on Israeli inputs; (3) the realignment of industry with Israel's industrial needs through subcontracting and trade; and (4) the redirection of Gaza's trade to Israel. In this way, local resources were transferred outside Gaza's economy to Israel's and Gaza's own productive capacity was diminished.

Another crucial factor contributing to the dimunition of Gaza's productive capacity has been the lack of an institutional infrastructure capable of supporting structural reform. This was largely due to Israeli policies deliberately restricting the development of a viable institutional base in Gaza, thus compounding the effects of dispossession and integration.

Notes to Chapter 8:

1. Bank of Israel, *Annual Report 1988* (Jerusalem: Bank of Israel, May 1989), p. 84. See also Dan Zakai, *Economic Development in Judea-Samaria and the Gaza District 1985–86* (Jerusalem: Research Department, Bank of Israel, December 1988), pp. 17–21.

2. Calculated from State of Israel, *National Accounts of Judea, Samaria and Gaza Areas 1968–1986*, p. 119; State of Israel, *Judaea, Samaria And Gaza Area Statistics* 18, no.1 (Jerusalem: CBS, March 1988), p. 28; and Bank of Israel, *Annual Report 1988*, p. 85.

3. The problems of obtaining accurate data on population are many, and more than one database can be found including the Central Bureau of Statistics, the Registration of Residents, and various Palestinian studies. See Gaza Plan, Sections 2.1.1.–2.1.4; 2.2.3; 2.3.1–2.3.2; 2.4.5; 2.4.7; 9.4.2; Tables 2.1–2.3; 2.5–2.6; 2.8–2.9; State of Israel, *Projections of Population in Judea, Samaria and Gaza Area up to 2002*, Special Series no.802 (Jerusalem: CBS, 1987); and State of Israel, *Population Forecasts for Judea and Samaria and the Gaza Strip 1983–2002* (in Hebrew).

4. The 633,600 figure is derived from Israel's Central Bureau of Statistics and is lower than Palestinian estimates.

5. Informal interviews with approximately 200 women throughout the Gaza Strip revealed that particularly since the intifada, the rejection of family planning is in part linked to the perceived need to increase the number of Palestinians inside the occupied territories and to compensate for lost lives.

6. CBS, Special Series no.802, pp. 40–41.

7. Neu, pp. 207–208, makes this point as does Van Arkadie, pp. 54–57.

8. CBS, Special Series no.802, pp. 39–41, forecasts a slight to significant preponderance of males over females in all five projections for the year 2002.

9. The total population size does not reflect those living abroad. Ministry of Labour and Social Affairs, *Labour Force Statistics*, Jerusalem, 1988.

10. Comparable participation rates for women in the West Bank and Arab citizens of Israel in 1986 averaged out much higher, at 11.3 percent and 13.5 percent respectively. The labor force participation rate among Jewish women in Israel, by contrast, was 14 times greater than that of women in Gaza. Zakai, *Economic Development 1985–1986*, p. 43. Women in Gaza do not participate in the labor force for a number of reasons that are largely cultural. See, for example, Susan Rockwell, "Palestinian Women Workers in the Israeli-Occupied Gaza Strip," *Journal of Palestine Studies* 16, no.2 (Winter 1985): 119–30.

11. Ezra Sadan, *A Policy for Immediate Economic-Industrial Development in the Gaza Strip: A Summary Report* (n.p.: Ben-Ezra Consultants, Ltd., August 1991), p. 69.

12. Official Israeli sources put unemployment at 1–2 percent annually between 1967–1987, while Arab and other sources put it much higher, particularly if underemployment and seasonal work are taken into account. See International Labour Organization Vol. 2; and Neu, pp. 200–20.

13. United Nations Conference on Trade and Development (UNCTAD), In-house, commissioned study on population and demographics in the occupied territories, Geneva, Switzerland, 1992.

14. Figures in this section are derived from various issues of State of Israel, *Statistical Abstract of Israel* (Jerusalem: Central Bureau of Statistics).

15. Roy, *The Gaza Strip Survey*, pp. 36–37. See also Salim Tamari, "The Dislocation and Reconstitution of a Peasantry," p. 90.

16. "Baram: No accord will cut Israel–Gaza labour links," *Jerusalem Post*, 26 July 1974.

17. Moshe Semyonov and Noah Lewin-Epstein, *Hewers of Wood And Drawers of Water: Noncitizen Arabs in the Israeli Labor Market* (New York: New York School of Industrial and Labor Relations, Cornell University, 1987), pp. 27–29; and Kimmerling, pp. 60–61.

18. Semyonov and Lewin-Epstein, p. 24.

19. Ibid., pp. 39, 41.

20. See Neu, pp. 220–22.

21. Salim Tamari, "Building Other People's Homes: The Palestinian Peasant's Household and Work in Israel," *Journal of Palestine Studies* 11, no.1 (Autumn 1981): 31–66.

22. A key distinction is that before 1967 workers emigrated to work; after 1967, they commuted.

23. Tamari, pp. 33–34.

24. Ibid., pp. 31–66.

25. Meron, pp. 48–49.

26. Bregman, pp. 33–35; and Bank of Israel, *The Economy of the Administered Areas in 1972* (Jerusalem: Bank of Israel Research Department, June 1974), p. 30.

27. United Nations Conference on Trade and Development (UNCTAD), *Recent Economic Developments in the Occupied Palestinian Territories* (Geneva: UNCTAD, June 1986), p. 13; and UNCTAD, *Palestinian External Trade Under Israeli Occupation*, p. 51.

28. Bank of Israel, *The Economy of the Administered Areas in 1970* (Jerusalem: Bank of Israel Research Department, August 1971), p. 25.

29. Sadan, *A Policy for Immediate Economic-Industrial Development*, p. 11.

30. Bank of Israel, *The Economy of the Administered Areas in 1970*, p. 42.

31. Kleiman, p. 12.

32. See United Nations, Economic and Social Council, Economic and Social Commission For Western Asia (ESCWA), *The Occupied Palestinian Territories: Industrial Development Policies, Constraints and Prospects* (Paper presented at a seminar entitled "Prospects for the Palestinian Industrial Sector," UNIDO, Vienna, 11–13 October 1989), pp. 1–3.

33. State of Israel, *Labour and Employment in Judea, Samaria and the Gaza District*, p. 30. See also Rekhess, p. 412.

34. State of Israel, *Labour and Employment in Judea, Samaria and the Gaza District*, p. 30.

35. UNCTAD, In-house population study, Geneva, Switzerland, 1992.

36. Calculated from State of Israel, *Statistical Abstract of Israel*, various issues.

37. George T. Abed, *The Economic Viability of a Palestinian State* (Washington, D.C.: Institute for Palestine Studies, 1990), pp. 13–14.

38. Ibid., pp. 14–15.

39. See, for example, State of Israel, *Labour and Employment*, pp. 10–11.

40. UNCTAD, *Recent Economic Developments*, p. 11.

41. Sadan, *A Policy for Immediate Economic-Industrial Development*, pp. 6–7.

42. For a comprehensive review of the agricultural sector between 1967 and 1987, see, for example, Kahan, *Agriculture and Water (1967–1987)*; M. Benvenisti, *The West Bank Data Project: A Survey of Israel's Policies*, pp. 12–15; Awartani, "Agricultural Development and Policies in the West Bank and Gaza Strip," in Abed (ed.), pp. 139–64; and Gharaibeh, pp. 59–82.

43. For an Israeli account of Gaza's agriculture, see Gideon Weigert, "Gaza Farmers Look Forward," *Bulletin of the Jerusalem Chamber of Commerce*, April 1977, pp. 33–36; and Gideon Weigert, *Life Under Occupation* (Jerusalem: Jerusalem Post Press, 1971) for a series of short essays on economic conditions in the Gaza Strip and West Bank.

44. Kahan, *Agriculture and Water (1967–1987)*, p. 17.

45. Peter Gubser, *Middle East Trip Report, 4 April 1992–16 April 1992*, (Washington, D.C.: American Near East Refugee Aid [ANERA], April 1992), p. 5.

46. Kahan, *Agriculture and Water (1967–1987)*, pp. 16–17; and M. Benvenisti, *The West Bank Handbook: A Political Lexicon* (Jerusalem: The Jerusalem Post Press, 1986), p. 2.

47. See David Kahan, *Agriculture and Water in the West Bank and Gaza, Part One, The Arab Sector* (Jerusalem: West Bank Data Base Project, 1983), pp. 39–40.

48. UNCTAD, *The Palestinian Financial Sector Under Israeli Occupation*, (New York: United Nations, 1989), p. 17.

49. Department of Agriculture, *Agricultural Statistics* (Gaza Strip: Civil Administration, 1989).

50. Kahan, *Agriculture and Water, Part One*, pp. 42–44.

51. Ibid., pp. 41–42.

52. *Jerusalem Post*, 15 February 1985.

53. State of Israel, *Statistical Abstract of Israel*, various issues; and State of Israel, *National Accounts for Judaea, Samaria, the Gaza Strip, and North Sinai For the Decade 1968–77*, Special Series no. 615 (Jerusalem: CBS, 1979).

54. Kahan, *Agriculture and Water (1967–1987)*, p. 47.

55. For example, Roy, *The Gaza Strip Survey*, based on Gharaibeh; Kana'na and al-Madani; State of Israel, Ministry of Defense, *Report of the Military Government 1985–86* (Gaza: Ministry of Defense, 1986); and Kahan, *Agriculture and Water (1967–1987)*.

56. State of Israel, *Agricultural Statistics Quarterly* 21, no.1 (Jerusalem: Central Bureau of Statistics, January–March 1990): 61. See also Sara Roy, "The Gaza Strip: A Case of Economic De-Development," p. 63.

57. State of Israel, *Agricultural Statistics Quarterly*, p. 61.

58. At a production level of 1 to 3 tons/dunum, farmers are losing money; at 4 to 5 tons/dunum, there is some margin of profitability; at 5 to 6 tons/dunum (typical Israeli yield) there is a reasonable profit. Farmers need at least 4 tons/dunum to break even, Economic Development Group (EDG), Jerusalem, 1989.

59. Awartani, "Agriculture Development and Policies," in Abed (ed.), p. 145. See also UNCTAD, *Palestinian External Trade*, Table 5, p. 13.

60. Statistical Data obtained from the Economic Development Group (EDG), Jerusalem, 1989.

61. State of Israel, *Agricultural Statistics Quarterly*, p. 64.

62. State of Israel, *Statistical Abstract of Israel*, various issues.

63. CBS figures are slightly higher.

64. Department of Agriculture, Civil Administration, Gaza Strip, 1988. See also Department of Agriculture, *Vegetable Production in the Gaza Strip*, Internal Document (Gaza Strip: Civil Administration, 1986).

65. See Department of Agriculture, *Agricultural Production in the Gaza Strip 1987–1988*, Internal Document (Gaza Strip: Civil Administration, 1988); State of Israel, *Statistical Abstract of Israel*, various issues, which provide slightly lower figures.

66. CBS figures are slightly higher.

67. CBS figures are slightly lower. Kahan, *Agriculture and Water (1967–1987)*, p. 43, also presents different figures from those in table 8.1.

68. The 1989 figure is drawn from the State of Israel, *Agricultural Statistics Quarterly*.

69. State of Israel, *Agriculture Statistics Quarterly*, pp. 61–62, states that between 1988 and 1989 alone, the quantity of output in fish declined by 12.9 percent.

70. State of Israel, *Agricultural Statistics Quarterly*, p. 63.

71. Department of Agriculture, *Prospects for the Citrus and Fruits Sector in the Gaza Strip*, Internal Document (Gaza Strip: Civil Administration, 1985).

72. The government of Israel reimbursed VAT to Gazans only if they made above a certain amount and if they banked their money so that it could be converted to shekels. Gazans were reluctant to bank their money for two reasons: currency inflation and possible seizure by the Israeli authorities. If income from VAT rebates was not banked at official exchange rates, exporters were not allowed to export their goods. VAT was charged on crates, wrapping paper, and goods sold.

73. The 1987 Israeli budget proposed a 5 percent subsidy for milk, a 30 percent subsidy for eggs, a 25 percent subsidy for poultry, and a 50 percent subsidy for irrigation water.

74. Other supports available to Israeli agriculture and not available in Gaza include: a price stabilization scheme, an insurance fund against natural disasters, minimum price guarantees, reduced electricity and energy costs, and access to advanced research and extension facilities, which is particularly important for improving productivity and quality. UNCTAD, *Palestinian External Trade*, p. 86.

75. UNCTAD, *Palestinian External Trade*, Table 10, 45. However, when measured in

absolute tonnage the level of exports to Jordan fell by 48 percent between 1976 and 1985.

76. Ibid., p. 14.

77. M. Benvenisti, *The West Bank Handbook*, p. 2.

78. Sources vary. See *Statistical Abstract of Israel 1988*; and Gaza Plan, Sections 7.1.1–7.1.4.

79. Eli Sagi and Yacov Sheinin, *Israel, the West Bank and Gaza: the Case of Economic Cooperation* (Ramat Gan, Israel: Economic Models Ltd., 1989), p. 17.

80. The Gaza Plan, Sections 7.1.1–7.1.4. *Published* CBS data, however, indicated only 1,628 plants employing 6,226 people by the beginning of 1987. Consequently, Israeli planners feel it is safe to assume that published data on industrial employment represent only 80 percent of what is actually true.

81. This may confirm an assertion in the Gaza Plan that a 1981 forecast of rapid growth in Gaza Strip industry had been completely falsified. Gaza Plan, Section 7.7.2.

82. State of Israel, *Statistical Abstract of Israel 1988*; Palestine Liberation Organization, *Industrial Statistical Bulletin for the West Bank and Gaza Strip 1988* (Damascus: Central Bureau of Statistics, Economic Unit, 1988), pp. 24–30.

83. Ezra Sadan, *Durable Employment For The Refugee-Populated Region Of Gaza* (n.p., 1993), p. 4.

84. Gaza Plan, Section 7.4.5.

85. UNCTAD, *Recent economic developments in the occupied Palestinian territories with special reference to the external trade sector* (Geneva: UNCTAD, 19 September 1988), p. 11.

86. This branch accounts for 15 percent of industrial revenue in Israel. Sadan, *A Policy for Immediate Economic-Industrial Development*, pp. 27–28.

87. UNCTAD, *Palestinian External Trade*, p. 17.

88. Simcha Bahiri, *Industrialization in the West Bank and Gaza* (Boulder, CO: Westview Press, 1987), p. 37.

89. Sadan, *Durable Employment*.

90. Abu Kishk, 1981, p. 36.

91. Indeed, small sewing shops established by Palestinian subcontractors in the refugee camps are the only form of small industry to penetrate the camps.

92. Interviews with owners of subcontracting ventures in the Gaza Strip, 1985. Hiltermann, *Behind the Intifada*, pp. 28–29, makes a similar point.

93. Al-Haq, Law in the Service of Man, Ramallah, West Bank, In-house files, March 1989. Original source: *Yediot Aharanot*, 28 December 1987.

94. Hillel Frisch, *Stagnation and Frontier: Arab and Jewish Industry in the West Bank* (Jerusalem: West Bank Data Base Project, July 1983), p. 56.

95. UNCTAD, *Recent Economic Developments*, p. 9.

96. Frisch, pp. 63–64.

97. State of Israel, *Budget for 1986/87* (Jerusalem: Government Printer, 1986).

98. Bakir Abu Kishk, "Industrial Development Policies in the West Bank and Gaza Strip," in Abed (ed.), p. 168.

99. Israeli manufactured goods enjoyed subsidies and protections estimated at 60 percent of the value of products in the international market. UNCTAD, *Recent Economic Developments*, p. 9.

100. Bahiri, *Industrialization in the West Bank and Gaza*, p. 40.

101. UNCTAD, *Palestinian External Trade*, p. 85.

102. See Sara Roy, "Development or Dependency? The Gaza Strip Economy under Limited Self-Rule," *The Beirut Review* (Fall 1994).

103. Abu Kishk, "Industrial Development Policies," in Abed (ed.), p. 177.

104. Ibid., p. 179, states that in 1979, the Jordanian government allowed a limited number of post-1967 factories to export to Jordan.

105. UNCTAD, *Palestinian External Trade*, p. 77, lists the following Israeli-imposed fees on traffic across the bridges (for early 1988): (1) monthly lorry permit (for an average of five trips per month) = $154; (2) Inspection fee on return (per trip) = $20; (3) Customs service fee (per trip) = $14; Personal exit permit (per trip, for owner of goods) = $176. Therefore, one truckload to Amman incurs a total fee of $65 without the participation of the owner, and $241 if the owner accompanies his merchandise.

106. See Dieter Weiss, *Industrial Development for Palestine—A Conceptual Framework with Special Reference to the Size Constraints*, (Paper presented at a seminar entitled, "Prospects for the Palestinian Industrial Sector," UNIDO, Vienna, Austria, 11–13 October 1989).

107. See, for example, L. Harris, H. Jabr, and R. Shihadeh, *Study for the Establishment of an Industrial Development Bank in the Occupied Territories of Palestine* (Vienna:

UNIDO, 1 August 1988); P.G. Sadler, U. Kazi, and E. Jabr, *Survey of the Manufacturing Industry in the West Bank and Gaza Strip* (Vienna: UNIDO, March 1984); and Monthor Nijim, *Assessment of the Availability and Demand for Credit Financing by the Palestinian Industrial Sector* (Vienna: UNIDO, October 1989).

108. See UNIDO, *Identification of Priority Projects in the Industrial Sector* (Vienna: UNIDO, 7 September 1989) for a list of projects considered critical for catalyzing the growth of the industrial sector.

109. See Sadler, Kazi, and Jabr, pp. 55–60. Interviews with a variety of PVO officials in the West Bank and Gaza Strip, 1989; and the president of the Engineers Association in the Gaza Strip, 1989.

110. "Documents and Source Material," *Journal of Palestine Studies* 21, no.3 (Spring 1992): 154.

111. Sadan, *A Policy for Immediate Economic-Industrial Development*, p. 24.

112. See Abba Lerner and Haim Ben Shahar, *The Economics of Efficiency and Growth: Lessons from Israel and the West Bank* (Cambridge, MA: Ballinger Publishing Co., 1975).

113. Ahiram, p. 10.

114. See Awartani, *A Survey of Industries in the West Bank and Gaza Strip*, p. 50; Gregory Robison, "Survey of Industries and of Assistance Available to Industries on the West Bank and in the Gaza Strip." First Draft, USAID, Jerusalem, July 1988.

115. Weiss, p. 27.

116. UNCTAD *The Palestinian Financial Sector under Israeli Occupation* (1987), 11; and UNCTAD, *The Palestinian Financial Sector*, pp. 20–22.

117. Gaza Plan, Section 7.7.4.

118. Ibid., 7.7.8.

119. The "open bridges" policy enacted within a year of Israeli rule was designed to open trade with Jordan, particularly for Gazan citrus. Imports from Jordan were limited to the West Bank only. This policy has eliminated any competition with Israeli goods in Gazan markets and prevented the development of trade between Jordan and Gaza beyond a specific level.

120. For actual figures, see State of Israel, *Judaea, Samaria and Gaza Area Statistics* 15, no.2 and 18, no.1; State of Israel, *Statistical Abstract of Israel*, various issues.

121. Imports range from basic foodstuffs and animal and vegetable products to a variety of manufactured goods such as machinery and mechanical appliances, electrical equipment, and vehicles.

122. The high level of exports in this year was due to the fulfillment of citrus contracts arranged before 1967.

123. See State of Israel, *Judaea, Samaria and Gaza Area Statistics* 18, no.1, p. 7.

124. Civil Administration, Gaza Strip, April 1989. Israeli statistics use current prices, which do not reflect the effect of inflation. Rodney Wilson, *The International Economic Relations of the Palestinian Economy*, (Paper presented at the symposium entitled, "Economic Aspects of a Political Settlement in the Middle East," University of Nijmegen, Nijmegen, The Netherlands, 18–20 April, 1990).

125. For a more detailed discussion of this problem, see UNCTAD, *Palestinian External Trade*, pp. 57–58.

126. R. Wilson, pp. 2–3.

127. UNCTAD, *Palestinian External Trade*, Table 12, p. 61. See R. Wilson.

128. UNCTAD, *Palestinian External Trade*, Table 12, p. 61.

129. Ibid. Calculated using Tables 5 and 12, 13, p. 61.

130. Ibid., p. 61.

131. See ibid., pp. 62–78 for an extensive discussion.

132. Data in this section are derived from UNCTAD, confidential studies prepared by the UNCTAD Secretariat: "Prospects for Sustained Development of the Palestinian Economy of the West Bank and Gaza Strip: A Quantitative Framework, 1991–2010," Geneva, Switzerland, December 1991, pp. 14–32; and "Prospects For Sustained Development of the Palestinian Economy in the West Bank and Gaza Strip, 1990–2010: A Quantitative Framework," Geneva Switzerland, April 1992, pp. 17–32. Quoted and referenced with permission of the director of the Special Economic Unit for the Palestinian People, UNCTAD, Geneva, Switzerland.

133. However, this figure also represents a decline from its 1982 level of 21 percent.

134. This equalled 10.7 percent of GNP in 1972 and 17 percent in 1987.

135. See ESCWA, 1989.

9

Deinstitutionalization

Deinstitutionalization is the third critical component of economic development. Deinstitutionalization refers to the direct or indirect restriction and undermining of institutions that could plan for and support productive investment over time. In Gaza, this restriction has come from the Israeli government. For example, expenditure and investment patterns of Gaza's civil administration have done little to promote institutional growth in economically critical sectors such as industry and agriculture. In this way, deinstitutionalization can also be understood as the logical consequence of dispossession and externalization. This attack on institutional development has been directed not only at the institutions themselves but at inter- and extra-institutional linkages. Deinstitutionalization erodes the typical supportive relationship between the formal (governmental) and informal (nongovernmental) sectors, normally a critical factor in the formation and implementation of development policy. It replaces that relationship with a system of restrictions opposed to most forms of economic development. Hiltermann explains:

> Since the authorities have been singularly incapable of forestalling the emergence of a Palestinian civil society, they have singled out Palestinian institutions and popular organizations for specific repressive measures.[1]

Once key linkages between the formal and informal sectors are eliminated, any development that occurs is due to the initiatives of the latter. Greatly weakened by the absence of such linkages, the informal sector is poorly equipped to provide services.

Moreover, institutions that successfully provide social or economic benefits often do so in isolation, functioning alone rather than as part of a system. In Gaza, the absence of an appropriate institutional structure together with the erosion of essential resources usually available to politically autonomous authorities and the orientation of the economic structure to meet Israel's, have rendered development planning in the occupied territories virtually nonexistent. Even under the best of circumstances, this situation has produced a fragile collaboration between local and foreign institutions in which individuals and communities work in conjunction with international and voluntary organizations to realize specific objectives. As a result, local initiatives are often dominated by foreign assistance agencies, and considerable infighting takes place among local organizations over increasingly limited resources. (The promise of $2.4 billion in economic assistance as part of the peace initiative could in the continued absence of an institutional infrastructure, worsen this problem rather than resolve it.)

Institutions for industrial and economic development in the occupied territories fall into two main categories: mainstream, formal institutions such as cooperatives, credit organizations, municipalities, and schools; and popular, mass-based organizations. The two categories are distinguished by their primary objectives: economic accommodation to the status quo in the case of the former and political resistance in the case of the latter.

The mainstream organizations were designed to help people withstand military occupation through economic and social means. Although these institutions were not organized along nationalist lines or for explicit political purposes, they have, to varying degrees, been characterized politically by the Israeli authorities. The popular grassroots organizations that burgeoned during the 1980s have a decidedly nationalist orientation and were formed with a clear sociopolitical agenda: to oppose military occupation at the mass level, and to provide what Hiltermann has termed an "infrastructure of resistance."[2]

In this book, only the more "formal" or mainstream institutions will be reviewed. There are two reasons for this: (1) popular organizations in the Gaza Strip, particularly those with relevance for economic activity (e.g., the labor movement), have historically been weak and have had a negligible effect on local economic development; and (2) although both sets of institutions have been subject to similar forms of harassment by the Israeli authorities (e.g., closures, banning, withholding permits, restricting membership, prohibiting meetings, arresting directors, deporting leaders), those in the mainstream have been more typically subject to measures and problems that provide evidence of deinstitutionalization.

In the Gaza Strip, deinstitutionalization is characterized by several features: (1) a disjointed and ad hoc approach to internal planning; (2) a remarkable lack of intra- and interinstitutional coordination and interinstitutional integration; (3) limited horizontal expansion and the near total absence of vertical integration; (4) weak, and in some cases, non-existent linkages with bodies and

institutions outside the occupied territories, including in Israel and beyond; (5) uncertain linkages between official Israeli bodies and local institutions that are often based on oppressive control or mutual distrust; (6) the virtual absence of any supportive infrastructure for institutional development; and (7) a dearth of skills required for institutional management and development.

Deinstitutionalization is the product of three factors: restrictive Israeli policies; the motives of Arab and non-Arab foreign donors; and problems endemic to local institutional behavior that are cultural, social, and political in origin. This chapter will focus on the effect of Israeli policies because they have had the most direct impact on deinstitutionalization. An analysis of the roles of foreign assistance and local culture, though important, is beyond the scope of this chapter, but specific points will be noted below.

Israeli restrictions have had the most direct impact on institutional development. These restrictions have made it difficult for institutions to function, let alone maintain any degree of autonomy. Israeli restrictions have been incorporated into military law and mandated that Palestinian institutions must obtain official approval for nearly all of their activities, even the most mundane. Military law controls the external context within which institutions operate and, until the implementation of the Gaza–Jericho Agreement, the internal work of the institutions themselves. Decision-making and control over institutional function, direction, programs, and planning have resided with the Israeli military authorities who aimed to restrict public participation in the running of public affairs. Institutions, for example, had to obtain permission to hold a meeting if it was to consist of three persons or more. Permission was also required for any new program or activity, physical expansion, and personnel change. The authorities determined whether institutions could receive external funding, the amount of that funding, and how it was to be used. They could close institutions at any time for any reason.

Over the long term, institutional growth is dependent on critical factors over which Palestinians have never had any control: land, zoning, and water to establish needed physical infrastructure; development of an economic and legal infrastructure supportive of institutional growth across sectors; and educational, training, and research programs needed to produce a qualified cadre of managers, administrators, and bureaucrats. In short, the institutional development that occurred has done so in spite of Israeli law, not because of it.

Israeli Policy and Deinstitutionalization: Restrictions on Local Institutions

Perhaps the most striking example of deinstitutionalization and its contribution to de-development is found in Palestinian industry. The deficiencies created by deinstitutionalization stand out starkly when one surveys the institutional framework that was supposed to support the growth of the industrial sector, which is vital for economic development.

In Gaza, institutions and services for industry have been steadily eroded. Deinstitutionalization has either weakened or done away with producer/managerial and labor organizations; organizations or associations supporting the development of business and trade; financial institutions able to mobilize savings and channel them into industrial capital, including industrial development banks, credit and investment institutions, finance houses, merchant banks, insurance companies, stockbroking; research and development bodies financed to promote industrial development and innovation; "leading" industries needed to catalyze long-term growth; and government agencies that could provide financial support. The reasons for these deficiencies lie with different actors, the most important being Israel.

Local institutions that do provide assistance to industry and trade in the Gaza Strip are as limited as the assistance they provide. They include: municipalities, chambers of commerce, professional associations, banks, moneychangers, private development and credit organizations, and postsecondary institutes and universities.[3]

Public Institutions

A key indicator of Israeli policy impact on Palestinian deinstitutionalization is found in the serious lack of public institutions in the Gaza Strip. Although this problem was not created by Israel, official policies did little to develop public institutions, which Israel considered an expression of Palestinian nationalism, and a great deal to undermine them. This is illustrated in Israeli measures toward Palestinian municipal government, a potential actor in local industrial growth.

A. Municipal Councils

Municipal councils, a form of local government, are among few remaining indigenous political institutions in Gaza. In the absence of a national authority, municipal councils provided certain necessary public services. The Gaza Strip has four: in Gaza City, Rafah, Deir el-Balah, and Khan Younis. Prior to 1967, they drew their authority from the 1934 Municipal Corporation Ordinance enacted under the British Mandate. The imposition of Israel's Military Orders 194 and 236, however, transferred authority over local government to the Israeli military government (civil administration), invalidating earlier statutes. As a result, the legislative and executive powers of the municipalities have been significantly weakened. Prior to the Gaza–Jericho Agreement, every municipal council activity was subject to military government approval.[4]

Israeli control was visibly manifested in the composition of municipal government. Elections for municipalities were last held in 1946. Between 1982 and 1994, the Gaza municipality was under the direct control of Israel's interior ministry, without mayor or municipal council. Attempts to reestablish the council, begun in 1991, ran into difficulty. In Rafah and Deir el-Balah, the municipal councils were similarly dismissed and replaced with Israeli-appointed mayors.

In the eyes of the populace, Israeli-appointed officials were illegitimate and unrepresentative. Only Khan Younis had an elected mayor and a functioning municipal council.

Given the military government's control over municipal government in the occupied territories, a significant difference existed between the endowed and actual authority of municipal government. According to British law, for example, municipal governments had authority over many areas, including planning, zoning, granting building permits, water usage and allocation, electricity usage and allocation, sewage disposal, public markets, public transportation, public health institutions, budget, expenditure of public funds, and town property and its supervision.[5] Between 1967 and 1994, municipalities were unable to exercise their authority over any of these areas or to initiate new projects without the approval of the military governor. Consequently, they could no longer serve as democratic institutions.

The absence of viable and legitimate municipal government has had a deleterious impact on the ability of municipal institutions to play a positive, catalytic role in industrial and economic development. These problems have resulted in the overall deterioration of town and village infrastructure and services, especially in the Gaza Strip. In Gaza City, for example, raw sewage runs in the streets of several residential areas; many roads remain unpaved and sandy, turning into impassable canals of mud after rain and snow; garbage is strewn along side streets and main thoroughfares as well as sidewalks; and traffic runs amok. The debilitation of municipal function is reflected in four areas: the appointment of Israeli mayors, control over procedures required for industrial development (e.g., zoning, planning, licensing), control over infrastructural resources critical to industrial development (e.g., water, electricity, transportation), and finance.

The appointment by the military government of municipal (and local) councils in the Gaza Strip provided the Israeli authorities with a local power base through which to exercise control. Appointed municipal councils had no authority and little influence of their own. Furthermore, the appointment of Israeli officers as mayors of Arab towns produced direct changes in the physical and economic character of Arab localities. In response to the establishment of the civilian administration in 1981, for example, most municipal institutions in the Gaza Strip suspended operations. In response, Israel deposed Mayor Shawa and replaced him with an Israeli officer. Such appointments "facilitated settlement activity and increased economic integration and land seizures."[6]

Even those municipal councils under elected Arab control exercised limited autonomy over those procedures directly related to the promotion of industrial development. Zoning and planning within the municipal limits of any Arab town, for example, were subject to nullification by military decree at any time. Municipal decisions regarding the use of land were carefully scrutinized by the military government and balanced against the priorities of Israeli settlement activity.[7] (Under the terms of the Oslo agreement, Israel retains ultimate au-

thority over zoning and land use in the Gaza Strip.)

The licensing process was perhaps the major procedural constraint on the development of an industrial infrastructure in the Gaza Strip. Technically, Arab municipalities had the authority to issue license permits for construction within municipal limits, but building licenses, especially for factories, were closely regulated. Fees could be steep and bureaucratic processing lengthy. Israeli environmental regulations, furthermore, forced certain plants into areas unfavorable long-term survival.[8] Israeli officials approved the implementation of certain light industrial projects within municipal boundaries. However, in exchange, some appointed mayors traded their licensing authority for other, often developmentally unsound programs. For example, design of Gazan sewage systems placed the needs of Jewish settlements ahead of those of the indigenous community.

Even if municipal governments had been unencumbered by licensing regulations, their lack of authority over other critical development resources (i.e., land and water, electricity, and transportation) would have impaired their ability to act effectively, particularly with regard to industrial development. For example, all Gaza Strip townships are connected to the Israeli grid. There is not even an unconnected minor station in the entire Strip.[9] Three Israeli power plants supply the entire Gaza Strip through five high tension lines, and this includes nearly all the houses, workshops, and plants in the territory. There are forty-eight utilities which then resell electricity. The majority of Gazans receive electricity in concentrated bursts; Jewish settlements and Israeli institutions receive a direct supply. In 1991, each resident of the Gaza Strip received on average 400 kilowatt hours of electricity; each Israeli received an average of 3,500 kilowatt hours.[10]

Although residents who wished to hook onto the electric grid simply contacted their local municipal authority, individual requests were ultimately subject to the control of the civil administration. (This appears still to be the case under limited self-rule.) Lighting new neighborhoods and industrial areas still requires complex special arrangements. In some instances, industrial and business consumers must finance the electrical connections themselves, creating additional financial burdens in an already cost-ineffective environment. The total reliance on Israel for electricity and other resources has eliminated most vestiges of Gazan institutional control over industrial growth.

The Israeli military government similarly controls the transportation infrastructure in the occupied territories without substantive local input. Road construction, for example, has been designed to service and promote Israeli settlements, facilitate army movements, and integrate the Gaza road system with Israel's. The last point is made extremely clear in Israeli development plans for the Gaza Strip. The Gaza Plan's stated reasons for development of a transportation network in Gaza have little to do with improving Gaza's internal infrastructure. Rather, the reasons revolve around accommodating Israel's need for Gazan labor. The planners predicted that the number of motor vehicles to

population would rise rapidly from 39.4 vehicles/1,000 in 1984 to 90.5/1,000 by the year 2000. No clear reason is given for the sharp increase in the rate of motorization, but planners emphasize that the traffic flow from the Gaza Strip to Israel will grow markedly as a result of the projected need to transport Palestinian laborers to and from work inside Israel. They state:

> An outstanding problem is that of Highway 4, from the Erez checkpoint [main border between the Strip and Israel] toward Israel, which has a yearly increase in congestion, particularly during rush hours . . . . According to the employment forecast, about 91,000 workers from Gaza will be employed in Israel in the year 2000, double the number currently employed. About 70 percent of them on average will return home every night, so the number traveling daily between the Gaza Strip and Israel proper will be 64,000. One can assume about 90 percent of these or 57,000 will pass through the Erez checkpoint, in addition to those training who are not employed in Israel. In order to accommodate this flow, two additional lanes leading through the checkpoint and an additional lane at the intersection will be needed.
>
> The bottleneck at the Erez intersection has two causes: a) the lack of an additional traffic lane, and b) the inspection stations. If there is a desire to maintain a constant flow over additional hours, e.g. requiring the workers to leave for work by 4 in the morning, more efficient inspection stations will have to be developed such as those used at entrances to toll roads.[11]

Road construction is only justified in order to supply Israeli employers with Palestinian labor. Gaza's roads are in terrible condition. Those in refugee camps and in poorer areas of the Strip are unpaved; the rest are potholed and cracked. The best roads are those connecting Israeli settlements. The continued and unattended deterioration of existing roads in the Gaza Strip stands in stark contrast to the 1992 construction of a new forty kilometer road from the Erez checkpoint to Rafah, the entire length of the Strip, for use by Jewish settlers who wish to bypass Palestinian villages. Construction of the seventeen meter-wide road was made possible by the confiscation of private agricultural lands from neighboring Arab villages, especially Beit Lahiya.

Restrictions on municipal budgets also crippled local governments. According to Israeli military law, municipal governments had no legislative authority to generate revenue. They could not introduce new taxes, fees, or rates without approval of the authorities, which was sometimes given. Consequently, municipal governments depended heavily on donations for capital and development expenditure. These funds traditionally came from Israel, Jordan, and other Arab sources. Israel's financial contribution to municipal government was historically weak; gifts and grants to municipalities from other Arab countries were subject to Israeli restrictions on deposit sites, disbursement, and use.[12] Municipalities and other local institutions often were denied access to money already deposited for them by an external party.[13]

Given the many uncertainties surrounding external contributions from

Israel and the Arab world (as measured in the extraordinary budget), the only stable source of revenue accruing to municipalities derived from the ordinary budget. However, ordinary revenues were consistently unable to meet the development requirements of municipalities. As a result, the level of municipal services and development activities declined in real terms.

Weak revenue bases, coupled with a considerable reliance on external funds subject to military control, made it virtually impossible for municipal authorities to promote industrial and economic development in the Gaza Strip. Under present conditions the role of a seriously weakened municipal government in economic development remains problematic.

B. Chambers of Commerce

Chambers of commerce were established in the major cities of the Gaza Strip prior to Israeli occupation. From 1972 to 1992, elections for the chambers of commerce were suspended; terms were simply extended. Some chambers had served since 1965; members who left or died were not replaced.[14]

Chambers of commerce have played an even smaller and more indirect role in industrial and economic development than municipal governments. Although mandated to perform a broad range of functions, local chambers appear to have fulfilled only the following: coordinating agricultural and industrial exports to Jordan; issuing licenses and certificates of origin for exports to Jordan and the Arab world (a function that noticeably declined with Jordan's disengagement from the occupied territories in August 1988); helping local businesses import and market certain products; verifying and authenticating a variety of other documents (travel, biographical); channeling information between the military government and commercial bodies; representing commercial bodies to the military government; and conducting research on topics related to business and trade.[15]

With the intifada, the military government has impeded many of the traditional duties of the chambers of commerce, accelerating their institutional decline. In 1989, one chamber official in Gaza bemoaned, "there is no research, no planning and no support from other institutions here. We do not collect data, which is an important function of a chamber of commerce, and financially, one association cannot help another."[16] During the uprising, Gaza's chamber disseminated information on the effect of government measures on local economic conditions. The chambers of commerce have played a limited role in promoting commerce, and they have had virtually no input into the promotion of economic development generally, and industrial development specifically, either before or since the intifada.

C. Professional Associations

Professional associations, also important catalysts for industrial development, also have had limited economic impact in Gaza. In Gaza, the Association of Engineers (AE), among the largest and most active, is perhaps most impor-

tant for indigenous economic change. Prior to the intifada, the association succeeded in getting the Gaza municipality to improve local standards of construction by requiring homebuilders to submit their drawings and plans for approval. The AE has encouraged members to design small-scale projects and helped them secure loans from foreign PVOs.

Beyond these limited activities, however, the AE was prohibited from performing functions that would empower it institutionally and enable it to contribute economically. The military government prohibited any action that it perceived might strengthen institutional capacity, wean Gaza's economic dependence on Israel, and compete with Israeli interests. For example, a battle of long duration between the association and the military government concerned the establishment of a materials testing laboratory in Gaza. The AE submitted the original proposal in 1981 through the U.S. Save the Children Federation (SCF) for $70,000 for a laboratory that would test concrete (consistency), steel (tension), and soil (bearing capacity). By 1989, the military government had not responded although it told the SCF to work with another organization on the grounds that the AE worked with the PLO.

Despite its nonresponse, the government conveyed to the AE that the proposal was a bad idea for three reasons. First, the authorities claimed that under Ottoman law associations do not have the authority to run a testing laboratory. Second, factories in Israel produce steel solely for the occupied territories, and the competition is not desired, particularly because this Israeli steel is of substandard quality and unusable in Israel.[17] Third, and perhaps most important from the Israeli point of view, the project would have given the association greater authority over local resources at the cost of Israeli control. In fact, the AE offered to establish a committee of five people, three of whom would be municipal (i.e., Israeli-appointed) officials, to oversee the laboratory. The military government refused. In a meeting between the AE chairman and Gaza's military governor, the former indicated that he was asking for technical, not political, authority for the laboratory and could not understand why the government was so adamant in its refusal. In reply, the governor indicated his concern that the PLO would take credit for the organization's success.[18] It appears that for the government the relationship between institutional success and political empowerment was direct and threatening.

Although successful in initiating a number of individual projects, the association was unable to exceed the parameters imposed on it (for reasons that are both internal and external in origin) and has had minimal influence on shaping local development initiatives, including industry. In this way, government restrictions inhibited the potential of the organization to act as an agent of economic development.

Private Institutions

In Gaza, there are many more private than public institutions. Private institutions were not organized as political or national entities; they were de-

signed to provide needed social and economic services that (from Israel's point of view) provide for order and normalization. However, private institutions also were subject to the regulations described above. Some of these regulations aimed to limit the amount of credit available to local entrepreneurs. In so doing, Israeli policy constricted institutional behavior in order to isolate and fragment economic activity, a characteristic feature of de-development.

A. Finance and Credit Institutions: Banks, Moneychangers, and Private Development and Credit Organizations

In 1967, the military government closed all Arab banks operating in the occupied territories and took over the currency and all institutions engaged in financial activities such as post office banking, insurance companies, and cooperative societies.

Israeli banks were allowed to open branches, but only to perform two main functions: (1) to transfer funds and clear checks for Palestinians earning shekels; and (2) to provide services for Arab businesses importing and exporting products. Critically, although Israeli banks dealt in foreign currency, they were not permitted to supply long-term credit for industrial or other forms of productive development, nor did they provide financial intermediation. Indeed, Israeli banks channeled funds deposited by Palestinians to their home offices in Israel rather than lending them to Gazans. Thus, the role of Israeli banks in promoting economic development in Gaza, industrial or otherwise, was negligible.

In 1981, the military government allowed the Bank of Palestine to reopen its Gaza office. This remained the only open branch of a Palestinian bank in Gaza until 1990, when the Khan Younis branch was allowed to reopen. The authorities have prohibited the bank from holding any hard currency; thus, it could not engage in any foreign exchange transactions. Limited to the use of Israeli shekels, the Bank of Palestine has been unable to act as a financial intermediary and has been restricted to short-term, small-scale (primarily agricultural) loans in Israeli shekels. One of the bank's greatest handicaps has been its inability to issue letters of credit. Thus, although it has been the only bank in an area of over 800,000 people, it has not been able to support local enterprises.

Under considerable pressure from the United States, the Israeli authorities opened the Cairo–Amman bank in 1986. It was the only bank in the West Bank serving a population of more than one million people. The bank is allowed to deal in Israeli shekels and Jordanian dinars (JD); however, Gazans wishing to use the bank were restricted to shekels, because the dinar was not a recognized currency in Gaza. Although not as restricted as its counterpart in Gaza, the Cairo–Amman bank did not provide long-term capital, curtailing its significance as a source of finance. Indeed, the bank had approximately 85 million JDs on deposit in 1992, but only 11 million JDs were on short-term loan, such as letters of credit and overdrafts.[19] According to military law, the bank could not accept deposits in excess of a certain amount. On occasion, the gov-

ernment even ordered the bank to lower its interest rate in order to *discourage* deposits. Consequently, the bank has served mainly as a conduit for transfers and remittances, receiving deposits and issuing withdrawals. Because Israeli law has prohibited the bank from issuing loans or providing any credit facilities, most Palestinian financial transactions have taken place abroad, largely in Jordan.

Without Arab banks, moneychangers have become an important, albeit more informal, financial facility. Moneychanging is largely illegal, but many functions are tolerated by the authorities. Though prohibited in the Gaza Strip, moneychanging does occur. Moneychangers exchange currency, transfer money to accounts abroad, receive deposits, and issue loans. Deposits held in dinars and foreign currencies receive interest. Profits accrue in the form of interest on lending and commission on exchange. Most loans are limited to thirty days or (at most) a few months. Moneychangers' loans are rarely directed to high-risk, productive areas. As a result of their questionable legal status, moneychangers are unable to issue letters of credit or credit guarantees. Transactions remain undocumented and are based only on personal trust. In the event of fraud, there is no legal recourse. Thus, whereas some form of financial intermediation does occur (largely between local savings and commercial banks outside the territories), it is highly limited. Moneychangers cannot mobilize domestic savings.[20]

Thus, there has been no source of long-term credit in the Gaza Strip. This gap has been bridged in part by PLO, Arab, and foreign assistance. However, these donors have not always acted in the best interest of Gazan development, as is discussed below.

Israeli constraints on the development of a Palestinian financial infrastructure have eliminated savings institutions and intermediate and long-term lending institutions, a capital market, and working and fixed capital loans. By 1993, all that remained was one commercial bank and short-term internal borrowing. The lack of developed financial institutions also reflects institutional weakness in other, related sectors such as education and information systems. As a result, the services sector has remained woefully underdeveloped, unable to absorb the highly skilled and to make use of local comparative advantage. The limited amount of credit available for industrial and other forms of economic development has forced local entrepreneurs to rely on external economic assistance and expensive private credit.

Private development and credit organizations have tried to fill the credit vacuum. These organizations have played a limited but increasingly important role in the financing of industry and agriculture. Examples of such organizations include the Economic Development Group (EDG) and the Arab Development and Credit Company (ADCC). Although these organizations are based in Jerusalem, their impact extends to Gaza. The EDG has a branch in Gaza as well.

The EDG was established in 1986 in response to the perceived failure

of foreign organizations working in the area of economic development. Its aim is to promote small to medium scale development projects in the occupied territories in order to relieve unemployment and encourage local production for local markets. EDG is registered as a nonprofit company based in East Jerusalem, operates according to Israeli law, and, before 1994, was one of very few Palestinian institutions operating in the area of economic development.[23]

The majority of funds disbursed by EDG comes from the European Union (EU) (formerly the European Economic Community [EEC]), the Arab Monetary Fund, and donor countries. By April 1988, EDG had lent more than $500,000 to support over 100 projects in the West Bank and Gaza Strip, including small-scale, labor-intensive light industry and agricultural projects. Between 1989 and 1991, the EEC granted the organization an additional $1 million based on EDG's success. By December 1991, approximately $1.8 million in loans had been disbursed to approved projects with a project average of $60,000.[22] EDG also provides business consulting, and although assistance to industry is limited in scope, EDG projects have generated some local employment opportunities.

In early 1989, the Israeli authorities attempted to interfere with the company's activities and ordered it to suspend its loan program. A conflict ensued over the control of EDG funds. As a licensed authority in East Jerusalem, the EDG is not subject to the same military laws prevailing in the occupied territories, which require organizations to get official permission before accepting outside funds. The EDG was able to distribute its funds in the West Bank and Gaza Strip without government intervention. Because of this, the military authorities wanted the EDG, which one Israeli official termed a "hostile organization," to open a bank account in the West Bank and transfer its funds into it. All transactions from this account would have had to be "coordinated" with the military, who insisted on knowing the amount distributed, the kind of project funded, and the name of the beneficiary. The organization refused, arguing that like its Israeli counterparts doing business in the occupied territories, it was not obliged to submit to such procedures, and that any demand that they do so was political, not legal in basis. In the end, the Israeli government relented, but only because of EEC pressure.

The ADCC has been operating in East Jerusalem since 1987 as a nonprofit credit organization and was similarly established in response to the poor performance of other local and foreign institutions. Before 1994, it operated in the West Bank and Gaza under the supervision of Israeli authorities, a condition of its establishment. It continues to operate under Israeli supervision in the West Bank. In 1987, the ADCC received $400,000 from the EEC and $100,000 from the Welfare Association, and by 1992 it had $2.5 million out in loans with monies received largely from the EU and individual European governments. Loans range in size from $1,000 to $25,000 for use in agriculture in support of such projects as land reclamation, irrigation, grape trellising, agricultural machinery purchases, water networks, greenhouses, and animal husbandry. Inter-

est rates are low (4 percent to 5 percent), and repayment may be spread over five years.[23] The ADCC does not extend credit to industrial activities.

In 1987, the ADCC had a limited capital of 15,000 Israeli shekels (15 shares of 1,000 shekels each). Israeli-imposed restrictions on transferring and increasing these shares limited the company's ability to enlarge its capital. Some of these restrictions have since been lifted; however, the ADCC, together with other "soft" loan institutions, has been restricted by the authorities from having a savings component, a critical constraint on its ability to act as a financial mediator.

In addition to the problems created by Israeli restrictions, local differences between the West Bank and Gaza Strip have worsened existing problems. None of these credit organizations have given Gazan developers a fair share of funds. Of the 330 projects supported by the EDG in 1992, for example, only 25 (or 8 percent) were located in the Gaza Strip. The ADCC funded only one project in Gaza[24] out of 587. Arguably, the economic discrimination against Gaza is local, not foreign in origin. The reasons for this are several. Conceptually, the Gaza Strip has always been treated as an appendage of the West Bank, especially with regard to development planning. West Bankers have always looked down on their Gazan counterparts. Second, the Gaza Strip is a more difficult place in which to work, and one that many West Bank officials do not understand or care to learn about. Consequently, many lending institutions headquartered in the West Bank are unwilling to open branches in the Strip. Third, the occupation authorities have imposed more repressive constraints on development work in Gaza then they have in the West Bank. Fourth, the population is poorer, and much less experienced in entrepreneurship than are West Bankers. This is directly linked to Gaza's gross lack of experience with institutional development, which originated under Egyptian administration when most forms of participatory activity, particularly with regard to political and economic development, were prohibited. This continued under the Israelis and remains unchanged under the new Palestinian Authority. Thus, even despite the success of these organizations, their impact on Gaza has always been marginal, a reflection of cultural differences between the two territories that are not easily bridged.

B. Educational Institutions and Facilities

Education and training are vital for industrial and economic development. Technical and vocational training at all levels of the educational structure is critical for the creation of an industrial labor force. The overall lack of educational institutions devoted to industrial-based and technical/vocational training and restrictions on those few that have existed demonstrate how deinstitutionalization has contributed to the lack of structural reform in industry. This is especially true in the Gaza Strip.

The educational system is plagued by underfunding, overcrowding, inadequate facilities, poor physical infrastructure, and inadequate resources. These and other deficiencies place serious constraints on the physical expan-

sion of classrooms and on the improvement of existing facilities and provide a weak pedagogical and structural framework for other educational initiatives and programs.

The majority of educational institutions in the Gaza Strip have been under the direction of the military government and UNRWA. In addition, a small percentage of private schools operate at the preschool and elementary school levels and in special education.[25] The government has provided education through the secondary school level, in addition to some vocational training, but no university education. Government-run schools have been the responsibility of the staff officer for education in the civil administration.

UNRWA has provided and continues to provide education for the registered refugee community in and outside the camps. UNRWA schools only operate at the elementary (Grades 1–6) and preparatory (Grades 7–9) levels. Refugee youth seeking secondary education transfer to government schools after completion of the preparatory cycle. UNRWA also provides some vocational training.

Under Israeli rule, education in the Gaza Strip suffered from a variety of government-imposed restrictions on the kinds of textbooks and curricula used,[26] the number of schools and classrooms that could be built, the expansion of existing schools, the number of teachers that could be hired, the kinds of courses that could be taught, and the kinds of departments that could be established.

The absence of a public sector and public institutions supporting educational development has been striking in the Gaza Strip, particularly in light of projected increases in enrollments. According to the Gaza Plan, enrollment in Gaza's elementary schools will remain constant at around 95 percent through the year 2000. Given the high rate of population growth, this will mean a 47 percent increase in the last decade of this century alone. Junior high enrollment will also remain steady at 83 percent, which means an increase of 66 percent in the number of students.

Perhaps most ominous for indigenous economic development are the trends among high school students. Between 1978 and 1986, the number in this group attending school steadily dropped from 54.1 to 42.8 percent and is expected to decline even further to 38.5 percent by the year 2000. According to the 1986 Jordanian development plan, 50 percent of Gaza/West Bank students entering first grade dropped out by the time they reached the ninth grade, the majority dropping out between the ages of 13 and 16. By comparison, in the East Bank, only 3.2 percent of students in this age group dropped out of school. Reasons for the decline include the absence of compulsory education beyond the junior high level, the dearth of academic opportunities at the postsecondary level, and the economic need for youth to join the labor force. In fact, student dropouts constituted 40 percent of *all* Arab laborers in Israel in 1986.[27]

High enrollments, especially at the elementary and junior high school levels, combined with government, financial, and spatial restrictions on the construction of new classrooms resulted in undesirably high classroom densi-

ties. The Gaza Plan indicates that in 1986, there were 43.6 elementary students per classroom, 44 junior high students per classroom, and 37.1 high-school students per classroom, despite the use of a two-shift teaching day. To lower classroom density to an "optimal" size of 35 students (a level greater than that prevailing in Israel) and eliminate the need for a second shift by the year 2000, the Gaza Plan estimated that 3,360 classrooms in 141 new schools would have to be built at a total cost of NIS 98.2 million.[28]

The deficit of classrooms is directly due to the deficit of land. Arab schools in the Gaza Strip are built on land plots next to other buildings so that there are many classrooms per dunum, although the acceptable standard, according to the Gaza Plan, is one classroom per half dunum. Classroom–land densities are highest in UNRWA schools in the refugee camps. To reach the acceptable standard, the area devoted to existing schools would have to be enlarged by at least 400 dunums. The construction of new classrooms will require an additional land allocation of 1,680 dunums to reach the optimal goal of 3,360 new classrooms.[29] Thus, in order to bring the sector up to minimal classroom–land standards, quite apart from the issue of classroom density, 2,080 additional dunums would have to be allocated to Gaza's educational institutions. Because the institutional structure supporting higher education at the academic and vocational levels has been extremely limited, the impact of this institutional deficiency on economic development has been quite profound.

Beyond the basic level, education for industry has been limited and unpopular. Students could choose postpreparatory vocational training or other vocational programs offered at the preparatory level or below. Both government and private institutions provided basic vocational training programs to students who completed preparatory school but did not enter academic high schools. Through 1993 there were eight vocational secondary schools in the West Bank but none in Gaza (Gazans could enroll in West Bank schools, however).[30] Four were government-run, and four were private. The (three-year) curriculum was both theoretical and practical but lacked scientific content; only men were enrolled. In 1987, only 4 percent of Gazan students at the secondary level were enrolled in vocational training schools; they are far less popular than academic institutions. Low enrollments were not due to lack of demand, however, because applicants outnumbered students three to one. This low percentage of vocational training enrollment contrasted sharply with educational distributions in Israel and other industrialized and industrializing countries.[31] Indeed, in Israel in 1986–87, 48 percent of Jewish secondary students and 16 percent of Arabs were enrolled in vocational institutions.[32] The lack of adequate vocational training institutions was due to government policies restricting their establishment.

Results from a 1988 survey comparing technical and vocational education at the postpreparatory level in the Gaza Strip/West Bank and Israel revealed the following: (1) the number of vocations taught in the occupied territories is less than half that found in Israeli schools; (2) the majority of vocations

taught in Gaza and the West Bank are service-oriented (e.g., construction, plumbing, auto mechanics, tailoring, clerical); and (3) vocations *not* taught in the Gaza Strip and West Bank include those related to industrial development (such as fine electronics, mechanics, manufacturing tools, designing machines and industrial chemistry) and skilled vocations requiring high levels of expertise (such as jewelry, diamond cutting, and electronic instrument assembly).[33] Government-imposed restrictions in the occupied territories are largely responsible for these differences.[34]

Various studies conducted on the educational sector in the Gaza Strip and West Bank also reveal the significant shortage of applied education for engineering and industry at the postsecondary level.[35] The lack of such education at the postsecondary level is attributable to two key factors: official restrictions on the development of appropriate programs, particularly on institutions providing middle-level training in the engineering and industrial sciences; and the high premium placed on degree-based education by the local population.

The number of secondary school graduates greatly exceeds the absorptive capacity of existing postsecondary institutes and universities in Gaza. Only a few institutions offer theoretical and applied training in areas relevant to industry and economic development, and the development of new ones was, until 1994, officially restricted.[36] Since 1985, various organizations including American Near East Refugee Aid (ANERA) tried to establish a polytechnic institute in the Gaza Strip. The Israeli authorities refused all such requests. It was not until the spring of 1991, when security considerations prevented the large-scale migration of labor to Israel and worsening economic conditions in Gaza increased tensions, that the authorities gave permission to establish the College of Science and Technology in Khan Younis with European funding. By 1992, the college served 720 students and is projected to serve 2,000. Hence, the number of students entering industry-related areas is very low.

In addition to community colleges, the only existing training programs for specific industry-related fields are in universities. There are two universities in Gaza: Gaza Islamic and al-Azhar (opened only in 1991). Neither have engineering or applied science colleges although in 1993 Gaza Islamic began offering an engineering major. Would-be engineers who are not accepted into these colleges must seek admission to West Bank universities, or leave the country to study. Most Gazans cannot afford to do so.

Thus, available educational data reflect the paucity of institutional development and support for economically and industrially based activities in Gaza. The defining characteristics are: (1) the absence of any formal training in the engineering and industrial sciences; (2) low enrollment in vocational training at the secondary school level; (3) limited opportunities for professional and technical (middle level) training in the engineering and industrial sciences at the postsecondary school level; and (4) low enrollment levels in the engineering and industrial fields compared to other disciplines.

Israeli-imposed restrictions on a range of public and private institutions necessary for industrial development have thwarted the emergence of a viable industrial sector in Gaza. These restrictions, which collectively define deinstitutionalization, have constrained the institutional growth so critical for economic development overall.

Other Factors Contributing to Deinstitutionalization

The problems created for industrial development by Israeli policies leading to deinstitutionalization are exacerbated by two other factors: foreign assistance and local culture. Some key points will be highlighted.

Foreign Assistance

Deinstitutionalization in the Gaza Strip has been fuelled by the policies of foreign donors both Arab (e.g., the Jordanian government, Jordanian NGOs, the Jordanian–Palestinian Joint Committee, other Arab governments and Islamic groups, and the PLO) and non-Arab (e.g., UNRWA, United Nations Development Programme, the EEC, PVOs supported by the United States government and European governments, and a variety of nongovernmental sources). Foreign aid, in large part, has not been informed by development imperatives as articulated by Palestinians but rather by each donor's own political goals and funding priorities. This approach, combined with varying degrees of Israeli control over the receipt of external transfers, the distribution of foreign monies, and the selection of "recipient" institutions, has often served to perpetuate the economic and institutional status quo in the occupied territories instead of transforming it.

Overall, Arab aid, including that of the PLO, has been politically motivated. The criteria for disbursing aid have had little to do with promoting institutional development for economic reform and more to do with creating a political support base in the territories promoting a particular political agenda. Such ineffectivenes has particularly characterized aid to Gaza. The Gaza Strip, an area of decidedly less political importance than the West Bank, has consistently received only 10 percent to 25 percent of Arab aid to the occupied territories.

Jordanian government funding, for example, was motivated by the need to foster a pro-Hashemite constituency in the West Bank and to a lesser degree, Gaza, to protect Jordanian (not Palestinian) interests in the area. This meant protecting the status quo against any radical change and working within the confines of Israeli occupation policy.[37] Given its particular focus, Jordan's support to the industrial sector was extremely weak and indirect. It was largely restricted to guaranteeing long term, low-interest loans to municipalities for local development projects. As has been shown, however, municipal projects involving industry were highly restricted. For similar reasons, the Joint Committee, the primary source of development financing in the occupied territories

from its establishment in 1978 through 1988, committed only 4.4 percent of its funds between 1979 and 1985 to industry and to the development of institutions designed to support industrial growth.[38] These monies were used largely to provide inputs into small-scale industry and to help municipalities establish two to three light industrial zones. They were not used to strengthen or promote the industrial sector's institutional base, particularly with regard to technical training. Moreover, whatever support was given to industrial projects went to the West Bank, not Gaza.

More than sixty non-Arab NGOs and international organizations were operating in the West Bank and Gaza Strip in the early 1990s. Non-Arab foreign assistance to the Gaza Strip and West Bank has played a limited role in industrial and economic development and promoting the institutional base needed to support economic reform. The aid has been largely humanitarian and social welfare (as provided by UNRWA, the largest single source of non-Arab foreign aid).[39] In many cases, the Israeli military authorities controlled the disbursement of funding and project implementation. In the absence of a national authority, the military government too often determined where and with whom international agencies could work, often to the exclusion of those institutions and those areas where assistance was most needed, such as industry.

Consequently, non-Arab donors have been criticized for providing services considered the responsibility of the occupying authorities and for providing those services in ways that facilitated occupation and Israeli control.[40] Moreover, in their zeal to "help" the Palestinian community, some international organizations such as UNRWA have unwittingly contributed to deinstitutionalization. For example, by paying their employees higher wages (and often for less work) than they could obtain elsewhere in Gaza, these organizations have made it difficult if not impossible for other local institutions to compete financially.[41]

Furthermore, although many of the assistance agencies resisted (to varying degrees) Israeli intervention in their affairs, their own internal organizational and bureaucratic imperatives, such as the need to expend their budgets by the end of the fiscal year and their unwillingness to confront or challenge the military authorities in any meaningful (i.e., political) way, often produced a situation of political appeasement where program success in the distribution of foreign assistance was measured more by the *number* of projects implemented rather than by the *kinds* of projects implemented.[42] In this way, agencies tried to fill the widening economic, social, and institutional void in Gaza in ways that often satisfied their own agendas rather than met Palestinians' needs. It was the funders and the occupier, therefore, who defined assistance goals, not the beneficiaries. Sometimes the two overlapped; more often, they diverged.[43] (Arguably, these problems have grown worse in the post–Oslo period as the level of donor assistance has increased.)

One example of how donors defined goals is found in donor-supported programs at institutions engaged in professional, technical, and vocational train-

ing. Designed to compensate for the deficiencies of existing institutions, these programs tended to be small in scale, to focus on sectors other than industry, and provide basic training and low levels of technical assistance. Comparatively few emphasized industrial development directly.[44] The reasons for the lack of emphasis on industry are two: internal donor priorities that did not include industry and donor programs than accommodated Israeli restrictions on projects that promoted industrial development.[45]

Indeed, studies of pre-1994 foreign-based technical training programs in the Gaza Strip and West Bank reveal clear patterns that not only reflect internal donor agendas but official priorities: a bias toward professional/academic education; an approach that focuses on the improvement rather than the transformation of conditions; the absence of a policy framework for training in all productive sectors; extremely limited resources for investment in technical training; very limited training directed to industrial development specifically and economic development generally; limited absorptive capacity; and weak linkages between existing vocational and technical education programs.[46]

Official hostility toward industrial and economic development created strong disincentives for donors to engage in activities that would be subject to intense scrutiny, harassment, and rejection. Indeed, many foreign assistance officials in Gaza and the West Bank openly admitted that since projects in various areas of training and industry were often rejected by Israel, they did not propose them. Therefore, donor-supported training was, characteristically, provided in isolated, nonintegrated pockets focused on specific institutions and individuals. The outcome was an uneven allocation of resources, as evident from the lack of occupation specializations, trained instructors, and maintenance technicians and low enrollment rates.

In the final analysis, however, the major constraint on institutional development in industry and other sectors was the absence of a central regulating authority operating in the interests of indigenous economic development. Without such an authority, economic requirements could not be linked to educational output. Without an appropriate policy and supporting infrastructure, there could be no accountability, standardized measures, criteria, or goals. In this context, planning for industry or any sector became highly decentralized, uncoordinated, and unchecked, a reflection of the crippled supporting institutional structure and the donors' competing goals. Whether the establishment of the Palestinian National Authority will reverse this situation remains to be seen.

Local Culture

A commonly overlooked problem contributing to deinstitutionalization is cultural. Gaza's historical experience with institutional development is far weaker than that of the West Bank, so there is little precedent for (and some would argue, even a bias against) intergroup cooperation and coordination. Many institutions in Gaza are one-person operations that work in relative isolation. They depend on one individual and, as is often the case, on that individual's

political party. While this problem also exists in the West Bank, it is more acute in Gaza.

The Society for the Care of the Handicapped (SCH) in Gaza City is an example of a one-person operation. This organization is virtually alone in providing services to Gaza's approximately 30,000 mentally and physically disadvantaged residents. Through its thirteen programs, the Society now reaches over 4,500 people and employs 360. Despite its problems, the SCH has successfully responded to extant needs in an immediate and innovative way. Evaluations of the organization conducted by American special education professionals rate its performance on par with its American counterparts.

On the other hand, the SCH is dominated by and dependent on its chairman, Dr. Hatem Abu Ghazaleh, who has resisted any attempt to coordinate or integrate its work with other local organizations. The SCH survives entirely because of Dr. Abu Ghazaleh's fundraising acumen and his historical ability to defy Israeli restrictions through sheer strength of character and political savvy. Unlike many other institutional heads in Gaza, he is not affiliated with any political party. Without him, the SCH could not endure financially, an unfortunate but inevitable reality created by external constraints and internal weaknesses. Moreover, the absence of middle management, which characterizes many such organizations, also affects institutional viability. There is no cadre of semi-professional line managers, nor have there been programs to train them. This has been a serious impediment to development, because institutions have had no organizational structure or framework for institutionalizing operating procedures.

Lack of experience with development and national planning in the Palestinian context has perpetuated cultural norms. Although the intifada mitigated this problem, it did not eradicate it. Many local institutions engage in overlapping activities, competing not only for the same limited resources (in order to perform the same function and provide the same service) but for the same client base. Projects are duplicated, forcing some to fold because of limited marketing capacity. Such duplication only feeds de-development. In certain situations, Palestinian institutions have been able to exploit this problem by seeking and receiving services or funds from more than one institutional source with little investment or risk. This has been especially true of many foreign development-oriented initiatives whose resources have been used inefficiently and sometimes wasted.

Institutional development is further constricted by the factional basis on which many local institutions are organized. Political factionalism ties the target population to specific individuals and groups. It also isolates activity and its attendant problems within clearly demarcated and narrowly defined boundaries. The continued segmentation of institutional activities along political lines creates *constituencies* rather than *structures* and reduces the possibility for integrated development planning. All too often, individual institutions and persons benefit at the expense of systemic change. As a result, change or reform at the

institutional level has been, at best, functional rather than structural. Although it is possible to capitalize certain kinds of economic activities, it is not yet possible to institutionalize them fully.[47]

Conclusion

Deinstitutionalization policies have been extremely damaging for indigenous structural reform and infrastructural growth. Without institutions and the proper linkages to support them, needed reform and growth, on which rational economic development is based, have been confined within narrow structural boundaries. The local institutional sector in the occupied territories suffers from critical deficiencies, largely Israeli-imposed. These deficiencies have proved particularly damaging for the development of municipal government, and educational and financial institutions. As has been shown, weakened organizational capacity affects both public and private institutions in the Gaza Strip and has resulted directly from Israeli measures designed to weaken the external and internal environment of the institution, leaving little if any control over institutional decision-making in the hands of Palestinians. Such weakness has rendered institutions unable to redress their problems, let alone launch new programs.

To varying degrees and in varying ways, external funders contributed to deinstitutionalization in the Gaza Strip. Despite a clear economic rationale, foreign aid has been largely motivated by political considerations. Programs have been set according to internal bureaucratic priorities rather than prioritized indigenous needs. Together with the constraints imposed by Israeli interventionism and by the local environment, these considerations have (despite notable achievements) created a situation where development assistance has been disbursed in a manner that was unplanned, unorganized, unintegrated, and haphazard. (In the post-Oslo period, little has changed in this regard.)

Furthermore, foreign donors have a poor record of promoting networking and coordination among local organizations in the occupied territories. They have also failed to develop strong relations with indigenous institutions across sectors, or to support productive activities that would encourage vital economic reform. Many of the problems affecting Palestine's institutional structure have been aggravated by these donors, whose selective funding has exacerbated the highly individualistic orientation of local institutions and their unwillingness to work together.

Another serious problem affecting the development of internal capacity has been the remarkable lack of interinstitutional coordination or cooperation that derives from cultural practices that do not favor such cooperation. Funding discrimination against the Gaza Strip, moreover, has fueled deinstitutionalization, making it impossible to speak of integration with West Bank institutions. The almost complete absence of relations with Israeli institutions, a direct outcome of the political situation, has intensified existing constraints on

institutional development. The indigenous institutional structure supporting productive change is weakened and productive change is rendered largely impossible, a key characteristic of de-development.

Notes to Chapter 9:

1. Hiltermann, *Behind the Intifada*, p. 54.

2. Ibid., p. 50.

3. See Sara Roy, *The Palestinian Industrial Sector: Structure, Institutional Framework and Future Requirements* (Vienna: UNIDO, 1989).

4. See, for example, Muhammad al-Khass, "Municipal Legal Structure in Gaza, in Emile A. Nakleh (ed.), *A Palestinian Agenda for the West Bank and Gaza* (Washington, D.C.: American Enterprise Institute, 1980), pp. 102–106; Sasson Levi, "Local Government in the Administered Territories," in Daniel J. Elazar (ed.), *Judea, Samaria and Gaza: Views on the Present and Future* (Washington, D.C.: American Enterprise Institute, 1982), 103–122; and Mahmoud Talab Nammoura, "Palestinian Municipal Councils under Israeli Occupation: 1967–1989" (Research paper prepared for the American Near East Refugee Aid [ANERA], Hebron, West Bank, May 1989).

5. Emile A. Nakhleh, *The West Bank and Gaza: Toward the Making of a Palestinian State* (Washington, DC: American Enterprise Institute, 1979), pp. 12–13.

6. M. Benvenisti, *The West Bank Handbook: A Political Lexicon*, p. 157.

7. al-Khass, "Municipal Legal Structure in Gaza," in Nakhleh (ed.), p. 14.

8. P.G. Sadler, U. Kazi, and E. Jabr, p. 58.

9. Gaza Plan, Section 15.1.1.

10. Sadan, *A Policy for Immediate Economic-Industrial Development*, 6.

11. Gaza Plan, Sections 12.2.3–12.2.4.

12. State of Israel, *Statistical Abstract of Israel 1988*.

13. In Gaza, one institution consistently targeted in this way was the Red Crescent Society, the Palestinian version of the Red Cross, under the direction of Dr. Haidar Abd al-Shafi. Not only was Dr. Abd al-Shafi prohibited from having access to money deposited in the Red Crescent account, including USAID funds, but he had to obtain permission from the military authorities for all withdrawal requests.

14. This has also been true of the moribund trade union movement in Gaza, whose seven unions, operating under severe Israeli restrictions, claimed only 500 members, or roughly 1 percent of all workers employed domestically.

15. Interviews with Chamber of Commerce officials in the Gaza Strip, 1989.

16. Ibid.

17. Interview with a former official of the civil administration in Gaza, 1989.

18. Interview with the Chairman of the Engineers Association, Gaza City, April 1989.

19. Gubser, p. 5.

20. Laurence Harris, "Money and Finance with Underdeeloped Banking in the Occupied Territories," in Abed (ed.), pp. 192–99; UNCTAD, *The Palestinian Financial Sector*, pp. 61–65.

21. Economic Development Group (EDG) position paper, Jerusalem, 1987.

22. Ma'an Development Center, *The Role of Credit Institutions in Local Development*, (Jerusalem, 1991), p. 16.

23. Brian Miller, "NGOs working for Palestinian development," *Al-Fajr*, 2 December 1991.

24. Interview with Basil Eleiwa, Program Officer, AMIDEAST, Gaza Strip, 1992. See also Salah Abdul Shafi, "Gaza Strip: The forgotten part of Palestine," *Al-Fajr*, 3 August 1992.

25. See Roy, *The Gaza Strip Survey*, pp. 87–91.

26. In UNRWA school, additional restrictions are imposed by UNESCO, the educational arm of the United Nations system.

27. Hashemite Kingdom of Jordan, *A Programme for Economic and Social Development in the Occupied Territories 1986–1990—Summary* (Amman: Ministry of Planning, November 1986), 7/3–7/4.

28. Gaza Plan, Tables 9.4–9.7.

29. Ibid., Sections 9.0–9.5.

30. See Mahmoud Mi'ari, *Vocational Education in the Occupied Territories* (Bir Zeit, West Bank: Center of Documents and Research, Bir Zeit University, 1988).

31. Mi'ari, p. 7; Atif A. Kubursi, "Jobs, Education and Development: The Case of the West Bank," in Abed (ed.), p. 237.

32. Mi'ari, p. 8. See also Aziz Haidar, *Vocational Education in the Arab Schools in Israel* (Bir Zeit, West Bank: Center of Documents and Research, Bir Zeit University, 1985); and Hasan al-Qeeq, *Vocational Education in the Occupied Territories* (Jerusalem: Arab Thought Forum, 1988).

33. Mi'ari, pp. 7, 12–14.

34. Ibid.

35. In-house studies of the American Middle East Service and Training (AMIDEAST), 1975–1985, Jerusalem and Washington, D.C.

36. Except where noted, the data presented in this section are taken from Munther W. Masri, *The Gaza Technical Center*, Project document prepared for the American Near East Refugee Aid Committee (ANERA), Washington, D.C., and the Benevolent Society, Gaza Strip, June 1988.

37. This point became clear in a series of interviews with officials in the Department of Palestinian Affairs, Ministry of Foreign Affairs, Hashemite Kingdom of Jordan, Amman, December 1988. See also, Hashemite Kingdom of Jordan, *A Note on Jordan's Progress for the Economic and Social Development of the Occupied Territories* (Amman: Ministry of Planning, n.d.).

38. UNCTAD, *The Palestinian Financial Sector under Israeli Occupation* (1987), p. 151. For a discussion of Joint Committee aid, see Ibrahim Dakkak, "Development from Within: A Strategy for Survival," in Abed (ed.), pp. 287–310.

39. See financial statements found in selected years of the *Report of the Commissioner-General of the United Nations Relief and Works Agency for Palestine Refugees in the Near East*, General Assembly, United Nations, New York.

40. This criticism was expressed in a series of interviews with Palestinian, American, and European development consultants between 1985 and 1993.

41. This sentiment was expressed in interviews with officials in several local institutions in the Gaza Strip, 1988–1989.

42. See, for example, Sara Roy, "Development under Occupation?: The Political Economy of U.S. Aid to The West Bank and Gaza Strip," *Arab Studies Quarterly* 13 (Summer/Fall 1991): 65–89.

43. See K. Nakhleh.

44. Based on extensive interviews with PVO officials in the West Bank and Gaza Strip, 1985, 1986, and 1989.

45. See United States Agency for International Development (USAID), *U.S. Economic Assistance to the West Bank and Gaza: A Positive Contribution to the Palestinian People From the American People*, Draft, Washington, D.C., March 1989, p. ii; and M. Benvenisti, *U.S. Government Funded Projects.*

46. USAID, *U.S. Economic Assistance*; Roy, *Development under Occupation.*

47. See Sara Roy, "Gaza: New Dynamics of Civic Disintegration," *Journal of Palestine Studies* 22, no.4 (Summer 1993): 20–31.

PART III:

Continued Economic Dislocations

10

The Intifada—Economic Consequences of a Changing Political Order

Although Israel did not start out planning the economic de-development of the Gaza Strip after 1967, precedents for such policy existed, and they were carried to their logical extreme twenty years later when the Palestinian uprising (intifada) against Israeli rule began. In a 1977 *Jerusalem Post* interview, Moshe Dayan commented, "The trouble in Gaza stopped not just because Arik [Sharon] went in there with the army, but because we also let them go to work in Tel Aviv without papers or permits. They're 'hanging loose' now. They don't shoot because they have something better to do."[1] The same faulty assumptions that guided Dayan's thinking in 1977 also shaped the behavior of the prestate *yishuv*. Although structural integration (in the case of the former) and structural separation (in the case of the latter) produced a very different set of economic relations between Arabs and Jews, the political implications of "hanging loose" were much the same in 1977 as they had been four decades earlier. At both times, the Zionist leadership failed to recognize that economic appeasement would not extinguish the need for, or compensate for the loss of, political self-determination. In fact, this same failure crystallized Palestinian nationalism and popular rejectionism prior to 1948 and again in December 1987. In this sense, therefore, the intifada must be understood as a revolt against Zionist colonization, as well as against Israeli military occupation.

Political developments

The intifada, which in Arabic means "the shaking off," broke out in the

twentieth year of Israeli occupation in response to the oppressive conditions and erosion of life under occupation. The uprising erupted spontaneously in Gaza's Jabalya refugee camp; within days, it had engulfed the Gaza Strip and the West Bank. Despite its unplanned beginnings, the intifada was rapidly transformed into a highly organized and structured rebellion. It aimed to achieve the very goals the state had consistently sought to eclipse: to decrease Palestine's economic dependence on Israel, make the territories increasingly ungovernable, and end the occupation.

One year after the first demonstration in Jabalya, Yasir Arafat participated in an historic compromise by declaring the PLO's recognition of Israel, acceptance of UN resolution 242 and a two-state solution, and renunciation of terrorism. Neither Arafat nor the PLO would have undertaken a political step of such magnitude without popular pressures from Gaza and the West Bank. The United States responded by opening a dialogue with the PLO in December 1988, and the peace process, which for so long had eluded Palestinians, was finally underway.

Palestinians in Gaza genuinely believed that political progress was possible primarily because of U.S. involvement. Many Gazans were optimistic when the U.S.–PLO dialogue began. During the eighteen months that followed, however, popular faith in America's resolve began to erode. Meanwhile, living conditions in the occupied territories deteriorated rapidly as a direct consequence of Israeli-imposed economic pressures, which the United States refused to condemn officially. Israel's increasingly brutal suppression of the intifada remained similarly unchallenged, as did the government's political intransigence and lack of reciprocity.

Under growing U.S. and international pressure to respond (or at least give the appearance of responding) to Palestinian initiatives, Prime Minister Shamir proposed a plan in February 1989 for elections in the Gaza Strip and West Bank to select Palestinian representatives to negotiations. Shamir ultimately rejected his own plan. However, the election plan was but one part of a four-point agenda originally proposed by Prime Minister Shamir. The full plan, which the United States chose not to publicize at the time, reveals Israeli intentions toward the occupied territories.

In addition to elections, the Shamir plan underscored the return of the Sinai peninsula to Egyptian sovereignty as agreed in the Camp David Accords. The Israeli government argued that by meeting this condition, it had fulfilled UN resolution 242, which calls for the return of territories acquired by Israel in the 1967 war in exchange for peace. Hence, as far as the West Bank and Gaza Strip were concerned, there was nothing to negotiate. Second, the plan called for the normalization of relations between Israel and the Arab states as a precondition for the resolution of the Palestinian-Israeli conflict. The government argued that because the Arab states had no territorial dispute with the state of Israel, the conflict between them would be easier to resolve. Thus, the dispute no longer focused on territory but on political normalization.

The Palestinian agenda, which was centered on territorial return in exchange for peace, was completely submerged. Indeed, in the aftermath of the Gulf war, Palestinians feared the worst from this "two-track" approach. As the United States pursued its own political agenda in the region, which sought greater normalization between Israel and the Arab states, Palestinians feared their priorities might be sacrificed. This fear was reinforced by the third pillar of the Shamir plan, which designated the longstanding refugee situation as a humanitarian rather than as a political problem. Consequently, Palestinian refugees would not be able to make political claims on Israel, nor could they seek redress on political grounds, thereby precluding their stated right of return, as well as the historical reasons invoked in support of this right. (The Gaza–Jericho Agreement, which is discussed in the last chapter, rests on similar assumptions.)

The critical event that finally disabused Gazans of their faith in America and confirmed their sense of betrayal was not the actual suspension of the dialogue between the United States and the PLO in the summer of 1990, but an event that preceded it: the American veto of a UN resolution calling for an observer force in the West Bank and Gaza after an Israeli reservist killed seven Palestinian laborers in Rishon Le Ziyyon in May 1990. For many Gazans, the events in Rishon propelled them to seek different paths to the establishment of their state, and new ways of filling the vacuum created by the "departure" of the United States. In August 1990, Iraq became that way.

Economic Developments

A discussion of the changes imposed on the Gaza economy during the intifada requires two levels of analysis: the external and the internal. At the external level, the government of Israel attempted to quell the intifada through a policy of military action and economic sanction; this policy imposed even greater burdens on an already weakened economy. At the internal Palestinian level, the demand for change on the basis of greater independence from Israeli market forces resulted in a new economic strategy emphasizing production over consumption, and a new turning inward toward local rather than Israeli markets. In the words of one Palestinian economist, We were not weak because we weren't working, we were weak because we never were conserving."[2]

In their efforts to formulate a new strategy, one problem confounding Palestinians in the Gaza Strip was the weak historical precedent for economic reform. There was a lack of entrepreneurship in Gaza; whatever entrepreneurship existed had been depressed by a history of administrative mismanagement and poor planning, lack of capital, and aversion to risk. In Gaza there has been no real accumulation of experience. The historical evolution of the economy has always been almost singularly linked to: (1) the production of citrus, an economic activity traditionally oriented toward export rather than local consumption, and the only activity that involved any degree of long-range planning; and (2) services, the largest sectoral employer.

These problems compounded the already significant constraints on the implementation of new economic initiatives, political success notwithstanding. Consequently, the rare political will and social cohesion generated by the intifada were necessary but insufficient for the economic task at hand. The political will created by the uprising consistently exceeded the economic capabilities needed to translate that will into effective and sustainable change, especially in the Strip. However, important and unprecedented changes did nonetheless take place. How did the uprising affect Gaza's economy, and what were the implications for the de-development process?

Palestinian Measures and Israeli Policy Responses

In the years since the intifada began, the Palestinian economy has experienced basic changes.[3] In the period preceding the Gulf war, these changes were characterized by a lessening of the economic dependence on Israel, achieved to a large extent through the Palestinian boycott of Israeli commodities; a new emphasis on grassroots institution-building; and a willingness to incur and endure economic and social deprivation in order to achieve political independence.

The changed political and economic relationship between Israel and the occupied territories was characterized by other developments as well: the diminished capacity of the domestic economies in the Gaza Strip and West Bank to provide productive alternatives to wage labor in Israel; increasing economic burdens imposed on the Palestinian population; and greater dependence on external aid. In the months following Iraq's invasion of Kuwait, furthermore, economic conditions in the territories rapidly deteriorated. Palestinian popular support for Iraq resulted in a significant loss of economic assistance from the Gulf states, a loss that has imposed considerable damage on the Palestinian economy, especially in Gaza (see chapter 11).

In response to the different conditions that emerged during the intifada, two essential economic changes occurred in the first two years of the uprising. On the one hand, a new development paradigm emerged; on the other, the Palestinian domestic economy was steadily eroded.

The political changes wrought by the Palestinian uprising in its first two years were accompanied by a fundamental attitude change that produced a new development paradigm. This paradigm was characterized by a new emphasis on self-reliance. Two key alterations in economic activity took place: (1) a shift in emphasis from consumption to production; and (2) a reorientation in economic strategy from external competition with and employment in Israel to internal, local production for local markets. Although economic activity in Gaza was geared to addressing the immediate needs and burdens imposed by the intifada, it also aimed to redefine development according to local needs and criteria. These changes represented the first attempt to reverse the de-development process.

The intifada recast the orientation of the economy, but at a considerable

price. Before 1967, the Gaza economy was oriented to production for consumption at a subsistence level, but after 1967, consumption levels markedly increased, exceeding those of production.[4] With the intifada, however, and the attempt to disengage structurally from Israel, the economic behavior shifted inward to produce more than was consumed to enable investment and thereby encourage growth. However, this shift was incurred at great economic cost because the local economy not only found itself approaching levels of subsistence and production unknown since before the Israeli occupation, but was unable to pursue any productive investment at the macroeconomic level, the critically needed next step.

The new populist commitment to locally based and indigenously organized change not only represented a departure from earlier Palestinian (and Arab) strategies which emphasized *sumud* or steadfastness, but was also the first attempt on the part of the Palestinians to act collectively as a nation with the objective of wresting some control from the Israeli establishment. In fact, this national coalescing and the changed attitudes that made it possible constituted the greatest threat to Israeli control; they were the driving force behind the official decision to employ economic as well as military means to suppress the intifada.

The Gaza Strip and West Bank economies suffered significant declines during the intifada. The economic sanctions imposed by Israel and the measures demanded by the Unified National Leadership of the Uprising created extreme hardships for Palestinians. In the first three years of the uprising, per capita GNP in the Gaza Strip fell by 41 percent from $1,700 to $1,000, which was below the poverty level for a couple and for a family of four living in Israel in 1989. The fall in GNP resulted from four factors: a 20 percent to 30 percent decline in the value of output in all economic sectors except agriculture which experienced lesser declines (itself originating in the reduced number of hours worked); a significant reduction in the level of trade between Israel and the occupied territories; a dramatic loss in income from work in Israel; and a decline of 70 percent in the level of remittances from the Gulf.[5] Initially, losses were offset by savings, but savings were soon seriously depleted. For an increasing number of Palestinians, net real income dropped by 40 percent to 50 percent compared to pre-intifada levels.[6]

The run on private savings held in Gaza and abroad further curtailed the role of savings and investment in local economic growth. A survey of approximately 300 Palestinians in the Gaza Strip between 1988–89 suggested that personal income for many families had fallen by as much as 75 percent from 1987. Although this finding could not be generalized to the entire population, it indicated emerging trends.[7]

In Gaza, the serious reduction in private income soon changed consumption, savings, and investment patterns. Initially, the drain on household income slowed consumption of luxury goods; by the second year of the intifada, consumption of basic goods was also down sharply as the standard of living

plummeted. With continued Israeli restrictions on domestic income generation, employment in Israel, and access to external capital, indigenous financial resources were steadily diminishing and Gazans, in particular, were forced to adopt a range of austerity measures (such as the development of home economies) in order to stave off absolute impoverishment. Ironically, the same conditions that encouraged the creation of a new economic paradigm also imposed severe economic hardship on the population.

Within the first year of the intifada, Israeli policy in the occupied territories grew more restrictive and was shaped by two priorities: to insure and intensify existing economic dependencies in favor of the Israeli economy; and to extinguish the intifada through the use of extreme economic pressure.[8] Toward these ends, Defense Minister Rabin stated in February 1989, "We have to strike a balance between actions that could bring on terrible economic distress and a situation in which [the Palestinians] have nothing to lose, and measures which bind them to the Israeli administration and prevent civil disobedience."[9] Israel's measures together with those imposed by the Palestinian leadership (see below) devastated economic conditions in the Gaza Strip and seriously eroded the ability of the majority of the population to maintain their pre-intifada standard of living. Growing austerity also threatened one of the intifada's greatest achievements—the attitudinal change that catalyzed and supported the very political and economic reforms with which it was associated.[10]

A. Israeli Restrictions: Curfews and Magnetic Identification Cards—Impact on Laborers

The most immediate measures used by Israel against Palestinians were curfews and the magnetic identification cards. Curfews were imposed far more often in Gaza than the West Bank and the magnetic ID cards were imposed on Gazans only. These measures were designed to target Gaza's labor force, especially those working in Israel.

In the first year of the uprising, the most populated areas of the Gaza Strip were under curfew an average of 30 percent of the year. In some of Gaza's refugee camps, that average was as high as 42 percent of the year, or 153 days.[11] During curfews residents were forbidden to leave their homes. This meant workers lost a day's wage for each day of curfew. Measures imposed by the Palestinian Unified Leadership hurt Gazan laborers as well. In 1988 and 1989, the Unified Leadership called 152 strike days in Gaza, which meant that travel was prohibited and workers were unable to leave for Israel.

As a result of the various restrictions described, in 1988 and 1989, Palestinians from the Gaza Strip worked in Israel an average of three to four days per week or twelve to sixteen days per month, a decline of 33 percent to 50 percent from 1987. A classified Ministry of Defense report indicated that the average number of work days for the Gaza Strip in the first two quarters of 1989 was 14.2. The report goes on to state that:

> [I]f the curfews and strikes in the territory keep the number of days worked in Israel at the current level, the entire sector is likely to disintegrate . . . . the key for improving the economy of the Gaza Strip is the number of work days in Israel and in the area . . . [and the downward trend in the economy] will continue as long as there is no substantial increase in the number of work days.[12]

One measure uniquely affecting Gazan laborers was the magnetic identification card program. Since August 1989, Israeli authorities have required all Gazan laborers to obtain a magnetic ID card in order to enter Israel. In order to qualify for the card, a Palestinian must have no record of "criminal" (i.e., political) activity and must have paid all his taxes. Any history of political activity constitutes grounds for disqualification. As a result, the number of Gazan laborers with permission to work inside Israel averaged 40,000 to 50,000 in 1989, down from 70,000 to 80,000 before the intifada. Furthermore, Palestinians were often assessed exorbitant taxes when applying for the magnetic card. Individuals unable to pay were denied cards; others did not even apply for fear of being targeted by Israeli tax authorities. The card cost $10, a significant sum for many Gazans. According to a Ministry of Defense official, the proceeds were intended to finance the installation of protective windows on vehicles owned by Israeli settlers living in the Strip.[13] The card is still required of Gazans wishing to enter Israel.

Although the magnetic card program was meant to monitor and control the movement of Gazan workers into Israel in order to contain the damage to the Israeli economy, it was, in the words of one Israeli security official, "one of a series of measures aimed at tying the individual to the central authority."[14]

Curfews and general strikes also imposed losses on Gaza's domestic labor force. Additionally, local merchants observed a daily strike that restricted all commerce to the hours of 9:00 A.M. to 1:00 P.M. (This was in force until April 1992, when hours were extended to 3:00 P.M.) Consequently, local businesses remained open four hours per day for an average of four days per week, a decline of 66 percent in the total number of commercial hours per week, which represented a particular blow to the Palestinian middle class. In February 1989, Israel's Ministry of Defense calculated that the number of days worked per month in both Gaza and the West Bank averaged only 10.[15] As a result of the various measures imposed, the Gaza Strip suffered from a severe cash liquidity problem and rising unemployment, which local economists estimated to be as high as 35 percent prior to the Gulf war.[16]

B. The Taxation Campaign

In response to a Palestinian tax boycott that significantly decreased tax revenues during the first year of the intifada especially, the Israeli government began an intensive taxation campaign that proved particularly damaging to the local economy and personal welfare. By 1989, for example, Israeli revenues

from income taxes were reduced by $27.9 million, and losses from value added taxes (VAT) amounted to an additional $76.5 million.[17] To compensate for the loss, the government instituted a variety of tax collection methods, both legal and illegal, none of which were coordinated with the state's income tax commissioner.[18]

These methods included tax assessments, the establishment of a border customs office, and changes in tax brackets. Tax assessments were levied against merchants, agricultural producers, factory owners, and businessmen of all incomes. Although the use of assessments was considered legal, taxes were often imposed arbitrarily, levied at excessively high rates with little evidence of proper financial accounting and with little if any possibility of appeal for the taxpayer. This approach to tax collection represented a departure from methods used before the uprising. Assessments ranged from $5,000 to $500,000 and commonly exceeded annual revenues for a given commercial establishment. Often, a merchant would be taxed an amount that was not based on any discernable form of accounting; many reported that their books and accounts showed they owed a much smaller sum than their excessive assessment. Failure to pay an assessment resulted in the revocation of many critical rights and privileges. Informing for the authorities, on the other hand, assured privileges and exemption from untoward taxation.[19]

As a consequence of high assessments, which taxpayers usually could not pay, attachments were placed on private commercial and personal property. Attached assets were sold at public auctions in Israel and were usually valued twice as high as the initial assessments. None of the financial proceeds from the sale of the property were returned to the merchants to whom they belonged. This policy of excessive assessments was not practiced in Israel.

In December 1988, the Israeli authorities also opened a customs office at Erez, the main entrypoint into the Gaza Strip from Israel. The border customs office was used primarily to collect excise-added (VAT) taxes. Customs officials stopped all commercial and private vehicles carrying merchandise across the Gaza–Israel border and required proof of purchase or invoices for all transported items. If appropriate documentation was not provided, goods, including perishable items, would be impounded at the customs checkpoint at a cost of $15 per day until such documentation was obtained. Once goods were seized, an investigation was conducted, which ranged in length from two weeks to two months. All impounded items were held until a settlement was reached. The taxpayer was usually presented with an assessment that could only be challenged within thirty days. Once the taxpayer agreed to a given assessment, it had to be paid together with interest, fines, and inflation differentials. If no formal settlement was reached, the amount of the assessment was treated as the taxpayer's debt that had to be paid.

In January 1988, the Israeli government further introduced a change into its income tax law. This change raised tax brackets for Palestinians and assessed them at a higher tax rate than Israelis. For example, Palestinians earning

$16,000 were taxed at 55 percent; Israelis did not reach the top tax rate until annual income reached $30,000 (even then, the rate was only 48 percent). Based on a direct tax per person, the average family in Gaza (consisting of seven persons) owed a relatively higher tax than the average family in Israel (four persons). At an income level of $100 per person per year, for example, the effective tax in the Gaza Strip was $150, compared to $0 in Israel. At an income level of $200 per person per year, Gazans paid $600 in tax, whereas Israelis paid $200.[20]

Moreover, on tax-related issues, Palestinians (unlike Israelis) did not have recourse to courts of law in their place of residence. Rather, they could only appeal to review boards that were appointed by the military commander of each territory and composed of military officers or officials of the civil administration. Palestinians did not have representatives on these boards, and all decisions were final, with no possibility of appeal.[21]

According to Israel's Ministry of Defence, the government budget for the Gaza Strip and the West Bank in 1987–88 and 1988–89 was approximately $247 million.[22] As a result of the extraordinary tax collection measures in 1988, the Israeli government collected a sum total of tax that exceeded budgetary predictions by $55 million.[23] B'tselem, an Israeli human rights group, reported that $27 million of the surplus was transferred to the budgets of the territories; the other half was deposited into the Israeli treasury, designated for future fiscal use.[24] The government contribution was used largely to maintain a police force in the occupied territories.[25] Approximately $6.5 million was also allocated to IDF salaries, automobile allowances, and reserve duty compensation.[26]

Despite the surplus that accrued to the government treasury, Israeli authorities consistently maintained that a decrease in collected taxes since the beginning of the intifada had forced them to reduce the regular budgets of the Gaza Strip and West Bank by 30 percent, to eliminate the development budget altogether (after 1988), to reduce funds for public services, particularly in the education and healthcare sectors, and to cut welfare payments to thousands of needy families. Given that the budget for 1989 was the same as 1988 (although the population grew by 44,000 people and the currency was devalued), the actual level of services provided to the territories had clearly diminished. Military government officials in Gaza requested that American PVOs working in the area finance projects in education and health, which the government claimed it could no longer finance.[27]

Interestingly, a classified report issued by Israel's defense ministry in 1990 indicated that the original amount allocated for the West Bank and Gaza Strip in 1988 was $346 million, not the $247 million that was actually spent. It appears, therefore, that with the outbreak of the intifada, the budget was cut by $100 million. An additional $62 million budgeted for development was eliminated entirely. The document goes on to speculate what the budget would have looked like had the intifada not occurred. As a result of the intifada, the regular budget of the occupied territories was cut by $347 million and the development budget by $205 million over a three-year period.[28] These cuts may have been

punitive or taken in response to declining tax revenues. Clearly, however, some funds were available and were not used.

C. Permits and Licenses

The Israeli government required permits and licenses for many basic activities and economic endeavors. They were important tools used by the Israeli authorities to control and regulate social activity and economic growth in the occupied territories. During the intifada, the Israeli government introduced two regulations that made the acquisition of permits and licenses onerous. Military Order 1262, issued on 17 December 1988, conditioned the acquisition of needed documents on payment of all taxes including income, property, and VAT. This order applied to permits and licenses in twenty-three different categories. Furthermore, before an application for a permit in any one of these areas was considered, approvals had to be obtained from seven authorities: the police; the departments of income tax, property tax, and excise-added tax; the civil administration; the municipality or village head, who was often a collaborator with the military authorities; and the Ministry of Interior. Each charged a fee. The Shin Bet was often included as well.[29] The process was long, cumbersome, expensive, and humiliating. Individuals with prison records or unpaid taxes were denied documents. Given the time and the expense of acquiring permits and licenses, many people went without them. This often happened in the case of home construction and establishment of small-scale businesses or factories. Without the necessary permits, both activities were considered illegal under military law. If discovered, the house or factory would be destroyed and the owner fined.

D. Levies and Fines

The military government charged new levies and fines for a variety of bureaucratic procedures and offenses during the intifada. In Gaza, levies were assessed for the following procedures, all conditioned on the payment of taxes: special car inspections incurring a range of costs (in fact, millions of shekels were invested in building a car checkpoint to which every vehicle with a fault, no matter how minor, was sent for repair)[30]; $10 to $25 for replacing each of the identification cards of the entire adult population[31]; $250 to $440 for replacing license plates on each of Gaza's 25,000 registered vehicles; $20 for what was termed the "Good Gazan" sticker, required of all licensed vehicles traveling to Israel; and between $30 to $315 in registration fees for replacing donkey-cart license plates.

In addition, the government imposed a series of highly punitive fines: $10,000 and five years in jail for shooting firecrackers to celebrate Palestinian holidays; $1,000 to $1,500 assessed to parents of children accused of throwing stones at Israeli vehicles; $400 to $500 for retrieving a child detained by the army or police; and $175 for failing to remove nationalist graffiti from the walls of private homes or public structures. Failure to pay fines could result in im-

prisonment; parents refusing to post bail for their children could be imprisoned for up to one year.

The Palestinian financial sector, in particular, suffered further erosion resulting from other Israeli measures, including: currency restrictions that limited external capital transfers to the occupied territories to $400 per person per month, down from $5,000 per person per month before the intifada (these restrictions were abolished in 1993); the regular confiscation of money from abroad; and the closure of twenty-two Israeli bank branches in the Gaza Strip and West Bank.

Other Factors Affecting Economic Conditions in the Gaza Strip

The economy of the Gaza Strip was hurt by other factors not directly tied to Israeli government policies. The first event occurred in July 1988, when the Jordanian government severed its legal and administrative links with the occupied territories. Among other things, Jordan's disengagement terminated the government's five-year development plan for the West Bank and Gaza. In an effort to protect Arab producers of similar commodities, Jordan also altered its trade relationship with the occupied territories by importing goods on the basis of market need rather than on the basis of predetermined quotas, as was often the case before the disengagement.

The fall of the Jordanian dinar in 1988–89 also had a direct bearing on the Gaza Strip economy. Used in most personal and commercial dealings in the occupied territories, the dinar had, by January 1989, declined by 40 percent of its 1987 level. Although the exchange rate stabilized soon thereafter, Palestinians experienced noticeable losses in personal income resulting from the decreased value of savings accounts, subsidies, wages, and pensions, as well as remittances received from the Gulf.[32] Conversely, the cost of raw materials and imports increased.

In early 1989, Palestinian financial resources were further depleted by a 15 percent devaluation of the Israeli shekel, which again reduced local purchasing power and increased the costs of basic foodstuffs and Israeli imports.[33] Between 1988 and 1989, considerable damage was also caused by a winter frost and summer heat wave, which resulted in millions of dollars worth of crop damage in both the Palestinian and Israeli economies. Between 1988 and 1990, therefore, Palestinian material and human resource losses were estimated at $260 million.[34]

The Economic Impact of the Intifada Prior to the Gulf War

Gaza's economy weakened as a result of the intifada. Agriculture in the Gaza Strip experienced declines in the value of its output, particularly citrus. Israeli prohibitions on the harvesting and marketing of crops, coupled with the destruction of tens of thousands of trees and crops by the IDF and Israeli settlers between 1988 and 1990 precipitated declines of 40 percent to 50 percent in the value of agricultural (fruit and vegetable) output in Gaza and the West Bank

combined.[35] Citrus production in Gaza fell from 190,000 tons in 1987 to 129,000 tons in 1988 and in 1989 before reviving in 1990. Thus, a decline of 32 percent in citrus production between 1987 and 1989 stands in contrast to an increase of 29 percent between 1985 and 1987.[36] Additional restrictions on water consumption, planting, and marketing accounted for the decline.

Industrial output declined significantly, particularly in the first year of the intifada. Classified government figures indicated that in 1988, industrial output in the Gaza Strip fell by 22 percent.[37] By February 1989, industrial production for all industrial branches in the Gaza Strip had fallen by 50 percent, the only exception was food processing, which enjoyed increased levels of output arising from the local boycott of imported Israeli products.[38] Indeed, those branches of Gazan industry that had strong production and marketing links with Israeli manufacturers (e.g., clothing subcontracting, construction materials) suffered declines, whereas those engaged in the provision of basic goods such as soft drinks, detergents, and processed foods—import substitution as it were—experienced increased growth even at the expense of Israeli firms.

Output in Gaza's construction industry also fell by 25 percent to 33 percent in 1988, following annual increases averaging 12 percent in 1986 and 1987. In addition, the commerce and transportation sectors experienced significant declines of 33 percent, whereas activity in the public services sector fell by a dramatic 66 percent.[39]

Trade relations across the green line were virtually transformed as a result of Israeli and Palestinian measures. Israel's export surplus in goods and services to the Gaza Strip and West Bank shrank from $251 million in 1985 to $42 million in 1988.[40] In 1989, Israel's historical trade surplus ended with an unprecedented deficit of $52 million. The decline in Israel's export surplus, however, was incurred largely in merchandise (i.e., Israeli-made goods) rather than service trade, which refers primarily to wages earned by labor from the occupied territories working in Israel.[41]

Despite some short-lived achievements, the structural alteration in trade was incurred at much greater costs to the local Palestinian economy, which was unable to withstand and compensate for the dislocations. The boycott of Israeli goods, for example, sent many merchants, especially those in the highly dependent Gaza Strip marketplace, into bankruptcy. The combination of specifically boycotted Israeli goods,[42] more oppressive taxation, falling prices, and decreased working hours proved devastating for local commerce.

Service trade also experienced some important changes. Although the absolute number of Palestinians working in Israel in 1988 was officially estimated to be equal to its 1987 level, the actual number of hours worked had fallen by 28 percent.[43] Between 1988 and 1990, the average number of days worked in Israel declined by 33 percent to 50 percent. In May 1989, the Bank of Israel reported that during 1988, the Israeli market experienced a 25 percent decline in the *effective* supply of workers from the West Bank and Gaza.[44] This was at a time when the number of job hunters increased due to the closure of

secondary schools and the imprisonment of thousands of breadwinners, whose fathers and sons were compelled to enter the workforce.

Thus, significant changes occurred in the size and composition of the Palestinian labor force employed in Israel, and the impact of these changes on private income, factor income, and GNP was negative. Indeed, income earned by Gazans working in Israel equalled $333 million in 1988.[45] However, receipts from Israel were estimated to have declined by 18 percent in real terms in 1988 and by an additional 7 percent in 1989, which resulted in a 20 percent drop in buying power and a 25 percent drop in living standards.[46] Given the weight of this income in total GDP and GNP, the impact of the decline was substantial.

In 1990 and 1991, rising levels of intercommunal violence created public pressure in Israel to separate the Palestinian and Israeli populations. In November 1991, the government announced that in response to a spate of stabbings and attacks against Israelis, 5,000 Gazan workers would be barred from working in Israel.

In January 1991, soon after the outbreak of the Gulf war, a high-level Israeli official predicted that the 120,000 Palestinians then working in Israel would be let go. His predictions were quickly borne out. In February 1991, Israel introduced a new work-permit system, which prevented any Palestinian from working in Israel without a permit obtained from the government labor office. To obtain this permit, the worker's employer had to initiate the application at the labor office at Erez. Only those individuals (and, in some cases, their relatives) who had paid all their taxes (including what the Israelis termed a "life tax" of $1,000 per year)[47] and municipal fees, and who had received a security clearance, were eligible.

Given these requirements, the majority of working-aged people were excluded. Permits had to specify the place of work, to which laborers were confined once in Israel. To work elsewhere was considered illegal unless a new permit was obtained, and to work "illegally" incurred the risk of arrest. In lieu of arrest, however, individuals were usually fined between NIS 500 to NIS 1,000 and stripped of their magnetic cards. Moreover, in another new measure, Israeli employers had to arrange transportation for their workers, because Palestinians were no longer allowed to travel to Israel on their own. If they were caught with illegal workers, employers were fined between NIS 2,000 and NIS 15,000 per worker. If employers failed to provide transportation, workers attempting to reach jobs on their own were vulnerable to harassment and arrest.[48] Furthermore, workers had to pay for their transportation, which often amounted to half their daily wage.

Conclusion

The intifada seriously undermined Gaza's economy. Israeli-imposed measures were designed to further constrain indigenous economic capacity by depleting financial resources, reducing income-earning options, attacking existing institutions, and destroying economic and physical infrastructure. In so

doing, the authorities deepened the integrative ties between Israel and Gaza, because employment in Israel increasingly became Gazans' only viable economic alternative for survival. Measures imposed by the Palestinian leadership aimed to wean Gaza of its dependence on Israel; in reality, they only further impoverished the local economy, because no viable income-earning alternatives were made available. As such, the intifada contributed to de-development. The Gulf war dramatically accelerated the process.

Notes to Chapter 10:

1. Lea Ben-Dor, "Dayan and the Territories," *Jerusalem Post*, 12 September 1977.

2. Interview with Hisham Khatib, Economic Development Group (EDG), Jerusalem, April 1989.

3. The discussion of Palestinian measures is drawn from Roy, "Development Under Occupation?" pp. 80–83.

4. Because production was oriented to consumption at the subsistence level, much of the production did not even enter government statistics.

5. In the first two years of the uprising, remittances fell from $250 million to $75 million per year, a trend that continued unabated.

6. Ministry of Defense, Internal document reviewing economic conditions in the occupied territories during 1988 (in Hebrew), Tel Aviv, February 1989. See Sara Roy, "The Political Economy of Despair: Changing Political and Economic Realities in the Gaza Strip," *Journal of Palestine Studies* 20, no.3 (Spring 1991): 61.

7. Data collected by the author in interviews, Gaza Strip, 1988–89.

8. See *International Herald Tribune*, 26 July 1988.

9. *Jerusalem Post*, 17 February 1989.

10. Sara Roy, "From Hardship to Hunger: The Economic Impact of the Intifada on the Gaza Strip," *American-Arab Affairs*, No. 34 (Fall 1990): 117.

11. Information supplied by the Database Project on Palestinian Human Rights, Chicago, IL, August 1990. The discussion of Israeli restrictions is drawn from Roy, "From Hardship to Hunger," pp. 118–23.

12. Ministry of Defense, *Economic Survey for 1988 and 1989: The Economy of Judea, Samaria and the Gaza Strip—After Two Years of Events [i.e. the Intifada]*, Classified document, Ministry of Defense, Tel Aviv, 1990.

13. Joost R. Hiltermann, "Workers' Rights during the Uprising," *Journal of Palestine Studies* 19, no.1 (Autumn 1989): 86. See also *New York Times*, 23 June 1989.

14. Hiltermann, "Workers' Rights," p. 86.

15. Ministry of Defense, Internal document, 1989.

16. Hisham Awartani, "The Palestinian Economy Under Occupation," (paper presented at a symposium entitled "The Economic Aspects of a Political Settlement in the Middle East," University of Nijmegen, Nijmegen, the Netherlands, 18–20 April 1990), p. 10.

17. Atif K. Alawnah, "The Impact of the Intifada on the Palestinian and Israeli Economies," *New Outlook*, 1990, p. 23.

18. Data on tax collection measures are drawn primarily from B'tselem–The Israeli Information Center for Human Rights in the Occupied Territories, *The System of Taxation in the West Bank and Gaza Strip as an Instrument for the Enforcement of Authority During the Uprising* (Jerusalem: B'Tselem, 1990), pp. 7–40. See also Marc Stephens, *Taxation in the Occupied West Bank 1967–1989* (Ramallah: Al Haq, March 1990).

19. Based on 50 interviews with merchants in the Gaza Strip, 1988 and 1989.

20. Sadan, *A Policy for Immediate Economic-Industrial Development*, p. 63.

21. See Sidney J. Baxendale, "Israeli taxes discriminate against Arabs," *Christian Science Monitor*, 19 October 1988.

22. Ministry of Defense, *Economic Survey for 1988 and 1989*. Original figures appear in New Israeli Shekels and have been converted into dollars at an exchange rate of $1 = NIS 1.7. These figures differ slightly from those in table 7.12 and may be due to the fact that the Defense Ministry figures were compiled one year after those presented in table 7.12. Consequently, they may reflect revisions to the budget, or the difference between proposed and actual expenditures.

23. Ministry of Defense, Internal document, 1989.

24. B'tselem, 12. B'tselem reported a total budget of $243 million. Ministry of Defense, Internal document, 1989; and *Economic Survey for 1988 and 1989* put the transferred amount at $21 million.

25. Ministry of Defense, Internal document, and *Economic Survey for 1988 and 1989*. [Note: original figures appear in New Israeli Shekels.]

26. Ministry of Defense, *Economic Survey for 1988 and 1989*. One component of the regular budget of the occupied territories is allocated to these activities.

27. Interviews with PVO officials who asked not to be identified. Confirmed in interviews with officials in the Ministry of Defense, 1990.

28. Ministry of Defense, *Economic Survey for 1988 and 1989*. The conversion rate in 1989 was $1 = NIS 1.85; in 1990 it was $1 = NIS 2.00.

29. See Joost R. Hiltermann, "Israel's Strategy to Break the Intifada," *Journal of Palestine Studies* 19, no.2 (Winter 1990): 88–89.

30. Michal Sela, "By bread and olives alone," *Jerusalem Post*, 17 February 1989.

31. Don Shomron, the army chief of staff, described the reason for the changing of the

ID cards: "All the identity cards in the Gaza Strip are being changed in order to increase the dependence on the civil administration. If the aim of the uprising was to shake off this dependence, our aim is to increase it." *New York Times*, 15 May 1988.

32. See "The Effects of the Dinar's Collapse," *Israel Economist*, March 1989, pp. 17–19.

33. UNCTAD, *Assistance to the Palestinian People: Recent Economic Developments in the Occupied Palestinian Territory* (Geneva: UNCTAD, 1989), p. 23.

34. Ibid., p. 10.

35. Ibid., p. 16.

36. Civil Administration of Gaza, *Gaza Region Agricultural Development*; Citrus Producers Union for the Gaza Strip, *Annual Report 1987* (Gaza Strip, 1987), 8. Certain agricultural branches enjoyed growth. Egg and honey production increased by 50 percent and 45 percent, respectively in 1989.

37. Ministry of Defense, *Economic Survey for 1988 and 1989*.

38. Economic Department, United States Embassy, Tel Aviv, 1989; and Roy, "From Hardship to Hunger," p. 125.

39. Economic Department, United States Embassy, 1989. Classified government figures put this figure minimally at 21 percent.

40. Bank of Israel, *Annual Report 1988*, p. 204.

41. See Joel Greenberg, "Sharon: Palestinian boycott of Israeli goods effective," *Jerusalem Post*, 30 March 1989; and Roy, "From Hardship to Hunger," p. 125.

42. Only specific items that could not be reproduced locally could be imported. Exports to Israel were not opposed.

43. Ministry of Defense, *Economic Survey for 1988 and 1989*.

44. Hiltermann, "Worker's Rights," p. 85.

45. Ministry of Defense, Internal document, 1989.

46. Ministry of Defense, *Economic Survey for 1988 and 1989*. An inflation rate of 11 percent and 16 percent was assumed for Gaza in 1988 and 1989, respectively. See also Roy, "From Hardship to Hunger," p. 126.

47. See interview with Muhammad Quneitah, head of the Federation of Palestinian Labor Unions in the Gaza Strip, *Al-Fajr*, 6 May 1991.

48. See the newsletter of *Kav La'oved*, entitled *The Workers' Hotline for the Protection of Workers' Rights*, Tel Aviv, November 1991.

11

The War in the Gulf and the March 1993 Closure — Gaza's Economic Dismemberment

Between December 1987 and January 1991, the Palestinian economy came under considerable pressure as a result of measures imposed by the Israeli government and the Palestinian Unified Leadership in response to the uprising. During that period, the GNP of the West Bank and Gaza Strip fell by 30 percent to 35 percent. For Gaza, in particular, where workers' movements were more easily restricted, these measures took a steep toll. The number of Gazans working in Israel declined unofficially from 70,000–80,000 to 56,000, or just under half Gaza's total labor force of 120,000. Their pre-intifada income accounted for at least 35 percent of GNP and 70 percent of GDP. The loss of income from work in Israel was therefore dramatic, representing no less than $300 million.[1] Consumption, savings, and investment patterns changed, and the standard of living dropped precipitously.

The Gulf War

The Gulf war had a devastating impact on Gaza's economy. Remittances and direct aid ceased, and employment in Israel slowed to a trickle. Gaza's economy was totally dependent on all three. Palestinians paid dearly for their support of Iraq. Gaza's economy, already weary after three years of intifada, was dealt its most damaging blow. Whatever minimal support had previously gone to development was redirected to relief.

On 16 January 1991, Israel imposed a comprehensive and prolonged

curfew on the Gaza Strip (and West Bank), which lasted as long as seven weeks in some areas and virtually shut down the economy. This curfew alone is estimated to have cost Gaza at least $84 million. This loss resulted from a total work stoppage and extreme cutback in the number of workers allowed into Israel that "pushed thousands of families to the brink of economic collapse."[2] By May 1991, at least one out of three Gazans was unemployed. Of the approximately 80,000 people who were employed, 28,000 worked in Israel (down from 56,000 just before the Gulf war); 12,000 were employed by UNRWA, the civil administration, and local municipalities; and 40,000 worked in other sectors of the Gaza Strip. The assumption of total employment in Gaza's other sectors was probably incorrect, increasing the unemployment rate well above 33 percent.[3] Local economists placed the unemployment rate between 35 percent to 40 percent. Personal income fell precipitously, and savings were eroded.[4] During the curfew and just after it, thousands of Gazan workers were summarily fired by their Israeli employers. They had no appeal or recourse. The majority did not receive the severance pay to which they were entitled, nor were people able to travel to Israel to collect wages owed them. The resultant loss in wages was estimated at $11 million per month when compared with wages obtained before the war.[5] National income plummeted during this period, as prices spiralled up.

For those with jobs in Gaza, curfew losses reached $11.5 million. The agricultural sector was hit especially hard because the curfew coincided with the citrus harvest and summer planting season. Irrigation and insecticide spraying activities ceased at least two weeks, destroying many irrigated crops. The curfew came on the heels of a severe drought that already hit farmers hard. Gaza lost its principal export markets in the Gulf, which historically absorbed 30 percent to 60 percent of local citrus exports. After the start of the Gulf crisis, Gaza's principal buyers of citrus—Iraq, Kuwait, Saudi Arabia, and the United Arab Emirates—closed their markets. Trade with Europe was severely interrupted but not terminated. Of the 140,000 tons of citrus produced by February 1991 (down from 175,000 tons a year before), only 15,000 tons were exported. A small portion was sent to Israeli juice factories; the majority spoiled on trees.

The resulting glut, accompanied by rising production costs (for fertilizer, pesticides, and transport) and diminishing returns, posed an immediate threat. Citrus prices plummeted: from 1990 to 1991, lemons fell from $100 to $20 a ton; grapefruits from $100 to $50 a ton, and oranges from $150 to $50 a ton. In 1990, the value of one ton of citrus could buy three tons of fertilizer; in 1991, however, it took six tons of citrus to purchase only one ton of fertilizer.[6] The unprecedented winter of 1991–92 imposed further damage on the Palestinian agricultural sector, which amounted to at least $77 million in direct costs.

A cash liquidity crisis ensued. Consumers stopped buying and drew on what remained of their savings. In late February 1991, sales of red meat had dropped by 80 percent, and vegetables by 70 percent.[7] The citrus industry lost

$8 million and other sectors lost $2 million.[8] By early 1992, with no alternative, some citrus farmers and merchants were selling unpackaged goods to Israeli companies, who would apply a "Product of Israel" stamp and export them as Israeli produce.

The most significant impact of the Gulf war was the loss of remittances from Palestinians living in the Gulf, combined with the termination of direct aid from the Gulf states, notably Kuwait and Saudi Arabia, and the abrupt decline in PLO transfers. Of the 800,000 Palestinians in the Gulf sending money home, 165,000 were from the occupied territories; 30,000 of these had residency in Gaza and the West Bank. In 1987, total remittances from the Gulf countries equalled $250 million, or 10 percent of the territories' GNP. However, given that the GNP of both territories had declined by 30 percent to 35 percent, the proportional value of Gulf remittances to GNP had risen to approximately 15 percent. Kuwait's contribution alone accounted for more than half of this sum.[9] Indeed, between 1988 and 1990, Kuwaiti remittances to the Gaza Strip and West Bank equalled $35 million and $105 million, respectively.[10] Remittances from some countries ended immediately, whereas the value of those that continued, particularly from Kuwait, diminished by more than two-thirds before terminating completely.

Direct aid from the Gulf countries to local institutions in both territories, which amounted to $70 million in 1989 alone, was terminated as well. The loss of this source of financing jeopardized the continued functioning of specific health and educational institutions, in addition to certain development projects. Together with the decline in the level and the value of remittances from Palestinians employed in Israel, the loss of remittances from the Gulf had a devastating effect on the Palestinian economy. By April 1991, the loss of remittances and other direct aid (in addition to the loss of exports) amounted to $350 million.

The PLO lost $480 million in direct aid from Gulf sources; a large percentage of these monies was funnelled into the occupied territories. At one time, in fact, Saudi Arabia's contributions to the PLO were equivalent to 10 percent of the GDP of the West Bank and Gaza Strip combined.[11] Moreover, between 1980 and 1990, the PLO is estimated to have received approximately $10 billion from Kuwait, Saudi Arabia, and the United Arab Emirates, monies that ended with PLO support of Iraq.[12] By 1993, the PLO found itself bankrupt, and the rapid erosion of PLO revenue imperiled local institutions in particular, many of which broke down or closed.

A critical factor affecting local economic conditions during this period, especially in Gaza, was a series of closures and curfews. From May to July 1992, for example, the Gaza Strip was closed for five weeks. UNRWA estimated that between 24 May and 5 July (when workers were allowed to return to Israel), losses from wages alone reached $500,000 per day.[13] During this time, farmers were unable to sell their vegetables in the West Bank, an important market for Gaza, and the resulting surplus caused a precipitous fall in local

vegetable prices. Additional restrictions on the export of Gaza produce to Israel were announced by the minister of agriculture (although Israeli farmers still had unlimited access to Gazan markets).[14] Commercial strikes called two to three times per month by Palestinians aggravated an increasingly desperate situation. Indeed, by June 1991, UNRWA was feeding an unprecedented 120,000 families in the Gaza Strip, both refugee and nonrefugee. During 1992, UNRWA distributed an additional 430,000 family food parcels in Gaza.[15]

The economic degeneration worsened in the fall of 1992 under the newly installed government of Yitzhak Rabin. The security situation, after a period of some quiet, began to deteriorate in September. Between December 1992 and March 1993, 57 Palestinians, among them 17 children under the age of 16, were killed in Gaza by the Israeli army; 400 children were shot with live ammunition. Strip-wide closures were imposed for three days in September, nineteen days in December (in addition to a ten-day curfew after the deportation of 415 Palestinians), and six days in early March. For December alone, UNRWA estimated that Gazans working in Israel lost income amounting to at least $13 million, whereas those with jobs in Gaza (including the transportation sector) lost $8 million. Agricultural export losses incurred an additional $3 million, bringing total losses for the month of December alone to $24 million.[16]

In late fall 1992, UNRWA in Gaza advertised eight jobs for garbage collectors and received 11,655 applications, a number one and one-half times Gaza's industrial workforce and close to 10 percent of its total labor force.[17] By January 1993, hunger was clearly a growing problem, especially among children.

The March 1993 Closure

On 30 March 1993, in response to some of the highest levels of Arab-Jewish violence since the beginning of the Palestinian uprising, the Israeli government sealed off the West Bank and Gaza Strip, barring 130,000 Palestinians from their jobs in Israel. The March closure, which had its roots in the immediate post–Gulf War period, was the longest ever imposed lasting into the post-Oslo interim period; the degree of hardship created the most severe. The economic damage incurred by the Palestinian economy after March 1993 had no precedent under Israeli occupation: for the first time, a large and growing segment of people were permanently unemployed.

The closure separated the occupied territories into four distinct and relatively isolated areas: the north and south of the West Bank, East Jerusalem, and the Gaza Strip. At least 56 military roadblocks were established along the green line, 27 in Gaza and 29 in the West Bank.[18] All four regions were cut off from each other and from Israel as well. Special civil administration permits were required by people moving between areas. The geographic segmentation of the territories, coupled with severe prohibitions on entry into Israel, proved ruinous for the Palestinian economy, with the labor force enduring the greatest damage. Prior to the closure, 30,000 Gazans (25 percent of the total labor force) were

commuting to work in Israel. The income generated by these workers accounted for 50 percent of Gaza's GNP.

Gaza faced an "unnatural slow-onset disaster likely to spiral out of control, possibly resulting in the total disruption of people's lives."[19] By December 1993, only 20,000 Gazans were working in Israel. Unemployment stood at 55 percent. Nonetheless, work in Israel remained Gaza's most important source of income.[20]

The closure resulted in an absolute loss of income at a time when personal savings had been virtually depleted. According to UNRWA, in the first two months of the closure, Gaza was losing $750,000 in wages alone each day. (Monthly losses equalled $19 million, the equivalent of what UNRWA spends in wages in eight months.) The loss of wage income and the accompanying decline in disposable income resulted in a significant loss of purchasing power and local demand for consumer and processed products. The Gaza Strip, which was closed off for more than two of the first five months of 1993, experienced a major, rapid drop in food purchases, a dramatic fall in the volume of consumption, and marked changes in food consumption patterns. Overall food purchases (except for essential commodities) declined by 50 percent to 70 percent and sales of red meat by 70 percent to 90 percent.[21] Sales of certain pharmaceuticals fell by as much as 70 percent, whereas purchases of "luxury" items such as clothing plummeted by almost 90 percent.

One month into the closure, UNRWA was planning four emergency distributions in the Gaza Strip, one every two months, for 90,000 refugee families and 30,000 nonrefugee families for a total of 480,000 family rations. Requests from refugee and nonrefugee alike for food, cash aid, and work exceeded the agency's capacity to provide them. Three months into the closure, the diet of many Palestinian families, especially those in the refugee camps, consisted of bread, lentils, and rice. Shoppers were purchasing only a fraction of the produce they bought before the closure. UNRWA's medical experts stated in June that if the closure were to continue without immediate food relief, "there will be a rise in the incidence of growth-retardation among children under three years of age. This means that there will be more children suffering from malnutrition; as this is closely associated with child and infant mortality rates, there could be an increase in child deaths."[22]

Although some workers were allowed to return to work by the summer and economic activity picked up slightly, monthly losses remained high. Ezra Sadan, former director general of the finance ministry and advisor to the government on economic policy in the occupied territories, stated that "severance of the economies means immediate poverty for [the Palestinians], deep poverty, no hope for development."[23] Sadan predicted that a closure would result in a 50 percent drop in Gaza's per capita GNP, from $1,200 to $600, a level found among the poorest third world nations.

The loss of purchasing power brought about dramatic declines in the production of manufactured goods for local markets. As a result, local wage rates

fell—by as much as 30 percent in some sectors[24]—and domestic employment declined. In the first two months of the closure, the primary if not only source of purchasing power in the Gaza Strip was the monthly salaries of UNRWA and civil administration employees. That is, the public sector was the largest sector providing income within the local economy. These salaries amounted to $5 million per month, a small sum when compared to a monthly loss of $19 million in Israeli wages.

Blanket export restrictions imposed at the time of the closure created agricultural surpluses local markets could not possibly absorb. The elimination of export markets combined with declining purchasing power caused food prices to plummet by 50 percent to 90 percent.[25] For example, within two weeks of the closure, the price of Gazan tomatoes for example, had dropped by 65 percent, cucumbers by 81 percent, and squash by 91 percent.[26] Israeli imported foodstuffs, however, doubled in price due to higher transportation costs. That purchasing power remained very weak at a time when food prices had plunged and surplus food stocks increased underlines the extremity of the situation. Moreover, the unprecedented loss of export markets in Israel, the West Bank, and overseas affected the structure of local production, especially in Gaza, because many production processes require a minimum market size if they are to achieve economies of scale required to operate with a modicum of profit.[27] Consequently, a growing number of retail and wholesale establishments went out of business.

Gaza's smaller subcontractors working for the Israeli textile industry reported a complete halt in production, because the closure prevented them from purchasing raw materials in Israel. Gazan merchants reported incidents of price gouging by Israeli buyers seeking to take advantage of the restricted access to Israel and increased economic hardship of the closure to force Gazan subcontractors to sell at below agreed-upon prices. Those larger subcontractors who were not affected by the closure became the targets of regular tax raids conducted by Israeli tax officials at Erez, the Gaza–Israel border, where subcontractors exchange goods with their Israeli buyers.

After wages earned in Israel, citrus production is the most important source of income for the Gaza Strip. By the end of May 1993, the citrus sector was in crisis due to official measures that resulted in shipping delays. Specifically, the civil administration issued export permits to Jordan valid for only one week. Long security checks at the Allenby Bridge, the border crossing between the West Bank and Jordan, exceeded the length of the permit. Trucks carrying Gaza produce, therefore, were caught in the West Bank with expired permits and could not cross into Jordan, and there were not enough trucks available to transport all citrus exports.

Toward the end of May, one hundred trucks—25 percent of the entire fleet—were detained by the Israeli authorities. As a result, between 25,000 and 30,000 tons of Valencia oranges, Gaza's main cash crop, remained unpicked and left to rot. Farmers reported that between the closure and the shipping delays, the price they were paid for Valencia oranges dropped from $140 per ton

in May 1992 to $80 per ton in May 1993, a decline of 43 percent. Producers of lower quality oranges used in Israeli juice factories were paid 50 percent less in 1993 ($55 per ton) than in 1992 ($110 per ton).[28] The price of vegetables also dropped, so much that many farmers doubted if they would plant the following season.[29]

The precipitous loss in income, coupled with eroding savings, rising unemployment, and declining wage rates produced an acute cash shortage (that remained after the implementation of self-rule). This in turn resulted in a pattern of asset liquidation and a partial return to a barter economy. Jewelers reported that within the first month of the closure, the resale of gold jewelry, an important source of savings, increased from three or four sales per month to as many as five and six transactions per day. Television sets, radios, VCRs and other appliances, and secondhand cars were also sold on a wide scale.[30]

The conversion of assets to cash, a finite process, was accompanied by the extensive use of credit for basic food purchases. Retailers reported that in Gaza's refugee camps, demand for food on credit grew by 200 percent to 350 percent.[31] Typically, poorer households obtained lines of credit from small retailers who in turn obtained credit lines from their suppliers. Small retail food outlets were ill-equipped to support rising credit demand, especially in a contracting economic environment.

In such an environment, people could not afford to pay for essential services. The Jabalya municipality, for example, estimated that 60 percent of the population were unable to make utility payments. In response, the Israeli authorities introduced coercive measures to insure payment. Households in arrears received surprise military raids at night. Individuals owing more than NIS 400 ($148) had their identity cards confiscated. In this way, failure to pay a bill became a security offense. In panic, many Gazans liquidated what little savings they held in reserve to pay municipal, utility, and tax bills. Payment of bills and taxes has long been a requirement for Gazans wishing to obtain a magnetic identity card, itself a requirement for work in Israel. After the closure, however, the magnetic ID card became a prerequisite for participation in Civil Administration job creation programs *in* Gaza.

The closure created two new problems for the Gaza Strip economy: an unprecedented number of permanently unemployed people, and a growing dependence on credit combined with new levels of indebtedness. The income shortage produced widespread food shortages and brought the economy almost to a point of total collapse. The provision of basic relief, long restricted to a small minority, became the concern of a growing majority. Production gave way to survival; unity to fragmentation. Malnourishment, unemployment, and violence became part of daily life.

Official Israeli Responses to the Closure

The Israeli government responded to the crisis in two ways: by allowing a significantly reduced number of workers back into Israel, and by creating

domestic employment. The former was tempered by a commitment not to return to preclosure levels of Arab labor in Israel, thereby increasing pressure on the latter. However, the job creation schemes were decidedly ad hoc in nature, occurring outside any context of integrated planning. They resembled the job creation programs developed by UNRWA in the 1950s, which were designed to provide short-term relief rather than long-term development. Workers, who had to be at least 25 years old, married, and in possession of a magnetic ID card, were directed to sweep sidewalks (often moving sand from one side of the street to another), clean streets and beaches, paint signs, whitewash, and dig ditches. By July 1993, 8,700 workers in Gaza and 7,500 workers in the West Bank were employed largely as street cleaners and painters.[32] Workers were paid a daily wage of NIS 25 ($9), half of what they earned in Israel, and were usually employed for no more than fifteen days at a time.

Gaza's weak and de-developed economy did not possess the capacity or the strength to withstand such extreme economic pressures, particularly in a context of acute political and institutional disintegration. The positive effect of allowing more workers into Israel, for example, the most important factor mitigating the crisis, was countered by forced layoffs by Gazan enterprises. Indeed, income earned in Israel and in local work schemes did not strengthen purchasing power to the point of producing the demand needed to generate jobs locally. These conditions, coupled with Gaza's near-total dependence on Israel for income generation, actually deepened Palestinian dependence on Israel at a time when Israel was preparing to transfer political control over the territory to a new Palestinian authority. This transfer, formalized in the Gaza–Jericho Agreement signed by Israel and the PLO in September 1993, promises Palestinians a form of limited autonomy and a much-needed political separation between Gaza and Israel. In terms of the economy, however, the opposite is true: Integration, not separation, defines the relationship between Israel and Gaza. Indeed, the economic crises precipitated by the Gulf war and accelerated by the March closure allowed Israel to begin restructuring economic relations with a much weakened Gaza Strip along new integrative lines that the Gaza-Jericho agreement both sanctioned and formalized. The policy changes promoting this new integration and their implications for de-development are discussed in the next and final chapter.

Notes to Chapter 11:

1. Sara Roy, "The Political Economy of Despair," p. 61; and idem., "Separation or Integration: Closure and the Economic Future of the Gaza Strip Revisited," *Middle East Journal* 48 (Winter 1994): 11–30. Portions of this chapter are extracted from these two articles with permission of the publishers.

2. UNRWA, *Situation of Palestinian Civilians under Israeli Occupation: Gaza Strip, March–May 1991* (Vienna: UNRWA, May 1991), p. 1.

3. Ibid.

4. Bishara A. Bahbah, "The Economic Consequences on Palestinians," *The Palestinians and the War in the Gulf* (Washington, DC: Center for Policy Analysis on Palestine, 1991), pp. 17–21.

5. UNRWA, *Situation of Palestinian Civilians*, 2. See also, Oded Lifshitz, "You are killing us without guns," *Hotam, Al Hamishmar Friday Supplement*, 26 April 1991.

6. See *Tanmiya*/Development, The Welfare Association, Geneva, Switzerland, 1991, and cited in *Al-Fajr*, 9 December 1991.

7. Frank Collins, "The rescue of the Palestinian economy," *Al-Fajr*, 3 June 1991.

8. Ibid., pp. 2–3.

9. Roy, "The Political Economy of Despair," p. 62.

10. Economic Department, U.S. Embassy, Tel Aviv, September 1990.

11. Sara Roy, "Gaza: New Dynamics of Civic Disintegration," p. 21.

12. See Youssef M. Ibrahim, "Arafat's Support of Iraq Creates Rift in PLO," *New York Times*, 14 August 1990.

13. UNRWA, *The Continuing Emergency In The Occupied Territory And Lebanon And Structural Socio-Economic Problems* (Vienna: UNRWA, March 1993), p. 3. As of 4 July 1992, work permits were only issued to Gazan men aged 20 years or more. Previously, the minimum age was 16 years.

14. "No Gaza produce to be sold in Israel," *Jerusalem Post*, 22 July 1992; and "Israeli competition destroys the potato season in Gaza," *An Nahar* 12 September 1992. According to reports in the Israeli press, "collaborators from Gaza receive special permits to transfer agricultural produce across the Green Line, despite the fact that this was a crime," in Israel. Moreover, the Israeli government, working through collaborators, imported vegetables from Gaza as a way of regulating the price of vegetables in Israel, and as a way of bringing down Israel's consumer price index. See Ronal Fisher, "The government caused the Israeli negative index by flooding the market with vegetables from the

Gaza Strip," *Hadashot*, 19 June 1992; and idem., "A senior government source confirms: Gazans received special permits to transfer vegetables," *Hadashot*, 22 June 1992.

15. UNRWA, *The Continuing Emergency*, p. 6.

16. Interview with a staff person of an international NGO who asked not to be identified, Spring 1993.

17. Interview with UNRWA Director Klaus Worm, Gaza Strip, January 1993.

18. Palestine Human Rights Information Center, "Israel's Closure of Occupied Territories Creates Military Enclave; Strangles East Jerusalem; Spells Loss of Income to Families, Denies Access to Medical Care, Schools, Jobs, Place of Worship," Press Release, Jerusalem, 15 April 1993.

19. "A Disaster Preparedness Report: A Preliminary Assessment of the Impact of the Closures on the Population of the Gaza Strip," Draft, 17 June 1993, p. 5. The author of this report, a European NGO, asked to remain unidentified.

20. The United Nations estimates that in order to reduce unemployment in Gaza by just one-half would require at least $500 million in sustainable investment. UNRWA, *UNRWA Statement to the Nineth North America Seminar on the Question of Palestine*, New York, 28–29 June 1993, p. 8.

21. UNRWA, "UNRWA Commissioner-General warns Arab League of socio-economic emergency in the occupied territory; appeals for additional funding for Arab sources," Press Release CLO/1/93, Vienna, 18 April 1993, p. 1.

22. UNRWA, *UNRWA Statement*, p. 5. See also Sara Roy, "Joyless in Gaza: Apartheid, Israeli-Style," *The Nation*, July 26/August 2, 1993, p. 138.

23. "Investing in Peace," *Jerusalem Post*, 14 May 1993.

24. UNRWA, The Gaza Strip, 21 July 1993.

25. Co-ordinating Committee of International NGOs, "The Economic Impact Of The Israeli Military Closure Of The Palestinian West Bank and Gaza Strip," CCINGO Brief, Jerusalem, 26 May 1993, p. 2.

26. UNRWA, The Gaza Strip, Summer 1993. Toward the end of July, when the glut of vegetables dried up, prices returned to their preclosure levels although demand remained depressed.

27. "A Disaster Preparedness Report," p. 7.

28. UNRWA, The Gaza Strip, Spring 1993.

29. "A Disaster Preparedness Report," p. 26.

30. UNRWA, The Gaza Strip, Spring 1993.

31. North American Coordinating Committee for NGOs on the Question of Palestine, "Emergency in the Gaza Strip," *The Fax Tree*, Washington, D.C., 16 July 1993, p. 4.

32. Institutional sources in Gaza that asked to remain unidentified, May 1993.

PART IV:

The Face of the Future

Conclusion

The Gaza–Jericho Agreement: An End to De-development?

This study has shown that Israeli occupation has been malefic. Israel's occupation of Palestinian lands after 1967 has expressed far less concern with the people living on those lands then with the lands themselves. Historically, this was first illustrated in the evolution of Arab–Jewish relations during the Mandate, then in the Gaza Plan of 1949, and in the Sinai and Gaza campaigns of 1956. Indeed, while the lessons of Gaza's history were certainly not lost on the Israeli government,[1] it was not Gaza's strategic significance that impelled the imposition of Israeli control *primarily*, but the state's desire to expand. For Israel, territoriality is raised above strategic, political, and economic considerations. "Land over people" has remained a national imperative since the British Mandate era. It is *the* critical and distinguishing feature of de-development.

When full control over the Gaza Strip was finally achieved after the 1967 war, the government embarked on a policy of institutional integration that was designed to insure that the territory would not revert back to its pre-1967 status, although its postwar status remained a source of political dispute. Thus, official objectives may not have been directed at making political annexation easier, but they were clearly directed at making territorial separation harder. After 1967, Israeli policy in the Gaza Strip was driven less by what it aimed to do than by what it aimed never to do: return the territory to its former sovereign, let alone to the Palestinians who lived there.

The integration the government sought to promote had to be institution-

alized in a manner that not only insured Israeli control over the Gaza Strip but strengthened Israeli domination. Integration, therefore, was predicated on three conditions: the political pacification of the Palestinian population, the increased dependence of that population on Israel, and the suppression of any independently organized or indigenously based political movement in the Gaza Strip. The primary mechanism chosen to achieve these ends was economic.

After 1967, Gaza's underdeveloped economy came in direct contact with Israel's highly industrialized one, against which it could not compete. As such, Israel's overwhelming economic advantage provided the means through which to channel Palestinian disaffection with Israeli rule and thereby mollify it. What emerged, particularly in the first decade of occupation, was a policy of economic appeasement that brought not only prosperity to individual Palestinians but considerable advantages to the Israeli economy. However, although official policy allowed Palestinians economic growth (or the *generation* of surplus), it did not permit economic development (or the *accumulation* of surplus). The former reinforced the political status quo; the latter threatened to change it.

Pointing to selected indicators of economic well-being, Israel has consistently argued that its policies modernized the Palestinian economy and brought it benefits unimaginable under previous regimes. However, when compared to the standard of living of their counterparts in Israel or Jordan, Gazans have never before suffered such extreme economic disparities. The reasons can be summarized in the following fact: the Israeli government, unlike its political predecessors, has attempted to dispossess Palestinians of their political and cultural patrimony through the direct expropriation of their economic resources, notably water, land, housing, and public finance. In so doing, the government has not only restricted any form of Palestinian economic development, which it equates with political independence—something abhorrent to Israel—but has insured that such development in any of its dimensions will not occur within the context of Israeli rule. Indeed, these measures have resulted in precisely the opposite: the undoing of development or de-development.

In August 1993, in a totally unexpected and surprising move, the Israeli government and the PLO announced a resolution to their conflict. An agreement, known as Gaza–Jericho was reached to implement partial autonomy in the Gaza Strip and in the West Bank town of Jericho as a possible first step on the road to peace. The Agreement generated a great deal of excitement, particularly because it had the official support of both sides. Israeli supporters were tantalized by the prospect of a real peace, while their Palestinian counterparts hoped for a sovereign state. Once again, Gaza was first.

The Gaza–Jericho Agreement is not about how Palestinians and Israelis should live separately but about how they should live together, at least during the five years of interim rule called for by the Agreement. Unlike Israel's peace agreement with Egypt, where land was divided and returned, Israel's agreement with the Palestinians calls for a continued "sharing" of the land while Israel maintains ultimate control over it. The question immediately arises: Will

Palestinian–Israeli coexistence in the future be any different from the past? Will occupation end and its structures be dismantled? Will de-development be arrested under the terms of the proposed peace?

The end of de-development is directly tied to the degree to which expropriation, integration, and deinstitutionalization are reversed and to the establishment of Palestinian independence. This reversal, in turn, is based on future economic and political relations between Palestinians and Israelis and, most importantly, on the terms of those relations. For example, how far will Israel go to protect its economic interests in the Gaza Strip? Who will control Palestinian land and water and in whose interests will these resources be used? Who will control Palestinian trade and access to world markets? To what degree and in what manner will Palestine's profound economic dependence on Israel be lessened? Who will determine Palestine's economic future and how will it be determined? Only when the issue of control is resolved will it be clear whether de-development can be reversed.

Under the terms of the Agreement and its Declaration of Principles, the Israeli government transferred limited political and municipal control over Gaza to the PLO. (Critically, Israel retains authority over security and foreign affairs.) Economic control, however, was not as easily transferred. The Declaration calls for joint arrangements between Israel and the Palestinians in almost every economic domain: water, electricity, energy, finance, transport and communications, trade, industry, infrastructure, social rehabilitation, business development, agriculture and tourism. Is meaningful cooperation possible between two unequal actors in a context where power is so asymmetrical? The answer is in large part grounded in Israeli objectives. The government revealed these objectives in measures and policy changes in the occupied territories that first emerged in the aftermath of the Gulf war, took formal shape with the initiation of the Middle East peace process, and culminated in the Gaza–Jericho Agreement. These policy changes clearly promote the greater integration of the Palestinian economy into Israel's and the deepening dependence of the former on the latter. In fact, the Israeli conception of self-rule in Gaza contains very specific economic arrangements that preclude any radical alteration of the economy, the establishment of an independent Palestinian economy, and, by extension, an independent Palestinian state. In this way, the Israeli government has not attempted to institutionalize an economic separation of the Gaza Strip and Israel as is commonly thought, but has pursued a restructured form of integration, particularly since 1991. Indeed, long before the Gaza–Jericho Agreement was reached, Israel was already creating new integrative ties with Gaza.

Israeli Policy Changes: An Economic Framework for the Gaza–Jericho Agreement[2]

The need to address the severe economic dislocations created in the Gaza Strip by the Gulf war was certainly not lost on Israel. The start of the

peace process in 1991 provided Israel with a dual and somewhat paradoxical opportunity. On the one hand, it had the chance to capitalize politically on the economic reforms being planned for Gaza. On the other hand, Israel, responding to U.S. pressure for confidence-building measures and to the rapidly deteriorating situation in Gaza especially, articulated a more detailed economic policy for the occupied territories, something it always had been unwilling to do.

At its conceptual level, Israel's economic policy for the territories is clearly based on a specific political arrangement, autonomy or self-rule, and on a specific economic arrangement, unity. In an official briefing on the subject of the economy of the territories, Danny Gillerman, president of the Federation of the Israeli Chambers of Commerce, stated, "Our stand is that the desirable model as far as autonomy is concerned is one entity—the territories and Israel—we see no possibility and no sense in creating any borders or customs post . . . ."[3]

Within this political framework, the main policy goal is economic revitalization through job creation and increased investment. By 1992, the new economic strategy for the occupied territories was slowly being implemented, a strategy devised by Ezra Sadan in his now famous Sadan Report, commissioned by the Ministry of Defense in 1990. This strategy, first developed for the more impoverished Gaza Strip, is based first and foremost on "trade, particularly free trade with and through Israel,"[4] and the expanded production of exportable goods. Given Gaza's devastating experience during the Gulf war when it was separated from its markets, it is clear that "[w]ithout free trade, there is no real economic subsistence in Gaza and—and it is of no consequence whether one likes it or not."[5]

Free trade underlies the development of certain kinds of industries (e.g., electrical appliances) including industrialized agriculture (e.g., horticulture) that seek to exploit Gaza's comparative advantage—labor—and compensate for its lack of natural resources—water and land. Given Gaza's level of economic dependence on Israel, the orders of magnitude difference in the size of their economies,[6] and the underdeveloped and distorted character of Gaza's economic structure, Sadan argues that economic development in Gaza must, logically and of necessity, occur as a branch plant economy to Israel.

For example, when referring to the future development of "industrialized" farms and the production of exportables such as tomatoes and strawberries, Sadan states that "Palestinian marketing reaching to the gates of the lucrative export markets in the West is [now] limited in scope. But, the services of large forwarding facilities, established marketing channels and the option of brand names provided by several firms in Israel guarantee an immediate access to the export markets."[7] He calls on the government to consider subsidies, loan-guarantees, credit, and foreign-trade insurance "as legitimate tools to overcome the limited capacity of the [Palestinian] markets,"[8] in addition to the liberalization and elimination of various military restrictions on economic transactions across the green line. The introduction of carnation production to

Gaza provides a good example of Sadan's policy intentions.

In April 1993, for example, the agriculture department of the civil administration in Gaza approved a near 100 percent increase in the production of carnations (from 57 dunums in 1992 to 107 dunums in 1993), one of several horticultural projects proposed by Sadan. However, the terms under which Palestinians could produce carnations were imposed totally by Israel.

In a measure virtually unprecedented for Palestinian farmers, the Israeli government provided subsidies of between NIS 4,000 ($1,481) and NIS 4,500 ($1,667) per dunum of carnations. In addition, the government expanded the production of strawberries, zucchini, potatoes, and tomatoes. This production was also supported through Israeli government subsidies, the opening of Israeli and foreign markets, and guaranteed crop purchases, also unprecedented for Palestinians. According to Israeli regulations, however, all produce had to be purchased by Israeli agents for sale in Israel or export through Agrexco.[9]

Although the carnation crop has been successful, Palestinians have suffered considerable losses due to the terms of the arrangement imposed on them by Israel. First, Palestinians can only grow those varieties of carnations for which they are given seedlings by government controlled sources. Second, Palestinians can only market their carnations through Agrexco. However, quality control decisions are made by Agrexco, *after* the Gazan merchant has turned over his flowers. Any flowers Agrexco deems unsuitable for marketing must be taken as an absolute loss, since Agrexco does not return them to Gaza for local sale.[10]

Flower growing has no history as a productive enterprise in Gaza. Furthermore, it is a water-intensive activity and therefore highly inappropriate for Gaza given its serious water problem. However, carnation production is very labor-intensive and provides Israel with a cheap labor input into the production of an important export commodity.

In discussing the development of a canned sardine branch in Gaza, long prohibited by the authorities due to fears of competition, Sadan further argues:

> A significant part of the value that would be added with the increasing industrial activity in the Gaza Strip would accrue in Israel, almost certainly in the Tel-Aviv area and the center . . . . [the] finding presented here points up the fact that development of the canned sardine branch in the Gaza Strip would create competition with Israeli producers of canned sardines, *but* it turns out that this would be competition between the Israeli product and a new product that is half Gazan and half Israeli (in terms of value added).[11]

Moreover,

> . . . the Gazan manufacturer is likely . . . to import various inputs—the most important being tin cans—from Israel. If he does not do that, he will have to import those cans from Europe . . . . In the second case, the [Gazan] plant would have to market the entire output of the finished product outside Israel; under those circumstances, it is doubtful if it could stay in business very long.[12]

In 1992, the government abolished certain protectionist practices militating against industrial development in the occupied territories.

Israel's vision of its restructured relationship with Gaza is first and foremost a self-serving one. Gaza will no doubt reap certain new economic benefits under Sadan's scheme but on terms that, once again, are not its own or necessarily in its own best interests. The cost to local economic development will be as high as it has always been. The Gazan economy will remain tightly linked to that of Israel, dependent, auxiliary, vulnerable to closure, and Israeli recession. The degree of benefit Gaza will be allowed to enjoy will be entirely determined by Israel. The development of an independent, self-sustaining, Gazan economic base will remain an impossibility. This will be true under any political arrangement, including the Gaza–Jericho Agreement, that does not give Palestinians full decision-making control over their own resources, especially land and water, and free and independent access to capital and to external markets. Sadan maintains that Gaza has no alternative but to maintain an economic relationship with Israel. He is correct. The issue, however, is not whether or not structural ties between a Palestinian and Israeli economy should exist, but the terms on which those ties are based.[13]

Conclusion

The inability to solve Gaza's economic problems does not derive as much from the backwardness of the local economy as from the particular ideological and national imperatives that inform Israeli policies. These imperatives have led to de-development. The Gaza–Jericho Agreement and its promise of autonomy will not eliminate de-development because, politically and economically, autonomy remains within Israel's ideological mandate.

It was argued earlier that Gaza's peculiar form of underdevelopment was shaped by an Israeli policy that prioritizes the ideological–political realm over the economic. Israel's ideological goal of creating a strong Jewish state always superceded the desire to exploit Palestinians economically although that did occur. Political not economic gain was the fundamental motivation of state behavior. Israel's rejection of Palestinian sovereignty and control over foreign policy, security, and the economy, and its refusal to transfer decision-making authority over areas critical to development planning strongly suggest that little has changed under the Gaza–Jericho Agreement, Israeli concessions notwithstanding. For example, under the plan's terms, the master keys of territorial jurisdiction (and, hence, political sovereignty)—land, water, and zoning—remain under complete Israeli control. The Palestinian National Authority has few powers over land, despite the existence of a land authority. Water issues also are subject to an Israeli veto. Moreover, if the Palestinian economy is to reduce its extreme dependence on Israel and end de-development, it needs to establish relations with economic partners other than Israel, particularly Europe, the Arab states, and the United States. The present terms of the Agree-

ment do not bode well for the establishment of such direct bilateral arrangements.

Although the Israeli government has transfered limited political authority over Gaza to the PLO, it has not renounced its claim to the occupied territories. The military government has been withdrawn, not abolished. The army has been redeployed, not withdrawn. Israel continues to control the land and Jewish settlements remain under the protection of the Israeli army. Israeli military power and physical force continue to determine Gaza's political and economic framework. Political and ideological imperatives continue to motivate state policy, and economic relations remain a critical channel for fulfilling political objectives. The "land over people" principle that distinguishes Israeli colonialism and defines Israeli policy remains intact. In this context, Israeli control of the Palestinian economy continues to have little to do with promoting sustainable economic development and more to do with protecting the state's economic interests in the occupied territories, pacifying a hostile population, and normalizing Israel's relations with the Arab world. Indeed, PLO officials openly admitted that in order to secure U.S. and European funding for Palestinian autonomy, they had to "accommodate Israel's aim of gaining full acceptance in the Arab world."[14]

According to the DoP, Gaza's economic future will be mediated through joint arrangements between Israel and the Palestinians (and subject to Israeli veto) in a broad spectrum of areas. Critically, Israel remains responsible for all international agreements. Palestinian access to external markets, a key factor in establishing an independent economy, will have to be negotiated with Israel. Furthermore, Israel retains decision-making authority over sectors crucial to Palestinian economic development such as finance. For example, approximately $300 million in housing loans were allocated by international donors to the Gaza Strip in 1994, but there is no banking structure through which to disburse them. Under the proposed new arrangements, however, a new banking structure, whose development the Israeli government has actively prohibited for more than two decades, can only be established with Israeli approval. Economic benefits in lieu of sovereignty and in the presence of gross asymmetry will not end de-development, only mitigate its effects.

Consequently, it is not Israeli control over Gaza's key economic resources and foreign policy that is the problem per se but what the retention of such control still makes possible: territorial expansion and the preclusion of Palestinian statehood. This will insure the continuation of those processes—dispossession and expropriation, integration and externalization, and deinstitutionalization—perhaps less extreme in scale or degree, that produce de-development. The growth of capitalism, for example, will not be possible under conditions of autonomy if and when capitalist growth in Gaza conflicts with Israeli interests or is not geared toward Israeli needs. The ultimate solution to the problem of de-development, therefore, is not simply a matter of giving Palestinians greater control within a system of constrained power, but of removing key constraints

and the defining ideological strappings to which they are tied. In its current structure, the Gaza–Jericho Agreement does not remove those constraints; it merely reshapes them.

Israeli policy in the Gaza Strip continues to be defined by what it does not allow rather than by what it does. What it does not allow is real Palestinian control over key economic resources (independence). What it does allow is a form of economic growth linked to and mediated by Israel (dependence). Israeli proposals calling for self-rule in the occupied territories therefore envision an economic future for the Gaza Strip that is essentially no different from its economic past.

The combination of "political divorce and economic marriage"[15] articulated by the Gaza–Jericho Agreement will not alter the underlying relationship between occupier and occupied, only its form. The economic fundamentals of occupation remain unchanged. Gaza's de-development will continue as long as Israel has decision-making control over areas critical to Palestinian sovereignty: the economy, foreign policy, and security. Israeli rule may be less direct but it is no less powerful.

Many have stated that economic reform must be implemented quickly or the momentum for peace will be lost. Over the long term, however, what is most important for an end to de-development is not the number of reforms implemented but the *terms* on which they are implemented. That is, will Gaza have free access to markets or will Israel use free markets to control Gaza? The answer will shape Gaza's future economic and national survival.

In the robes of a hungry woman, Gaza came to me
Rested her tired head on my arm
And we cried.
The black trees in our eyes became wet.
And the sea encircled me
So I washed in it my clothes and veins
Who would believe I'm bearing Gaza with me?
All I remember of Gaza is an eagle
Who has devoured its wings
And a woman-child
I carry and walk on the edge of the
sword
(It was said that the bridge was wide open
This summer,
So where is the child?)
Gaza

Walid al-Hallees
1978[16]

Notes to Conclusion:

1. See H. Zeev, M. Gihon, and Z. Levkowich, *The Gaza Strip: Background Paper* (Jerusalem: Carta, 1974), pp. 6–16. The authors state that in the past 3,500 years, the area that is today the State of Israel has been invaded eighty-five times from the area that is now the Gaza Strip, and in all but two campaigns (the Napoleonic invasion of 1799 and Great Britain's in WWI), the invasions were led by Egypt.

2. Parts of this section are drawn from Roy, "Separation or Integration," with the permission of the publisher.

3. State of Israel, *Briefing on the Economy and Autonomy in the Territories*, Government Press Office, Economic Desk, Jerusalem, 8 February 1993.

4. See Sadan, *Durable Employment*, p. 13; idem., *A Policy for Immediate Economic-Industrial Development*, which contains details of the development scheme for Gaza.

5. Press Briefing (1993).

6. In 1992, Israel's GNP was $60 billion while the occupied territories' GNP was $3 billion, of which more than $1 billion was derived from income earned in Israel. Although the Palestinian and Israeli economies are interdependent, Israel contributes close to 50 percent of Gaza's GNP and over 30 percent of the West Bank's, while Palestinians contribute at most 3 percent to Israel's GNP.

7. Sadan, *Durable Employment*, p. 4.

8. Ibid., p. 7.

9. Interview with officials of international organizations working in Gaza who asked not to be identified, April 1993.

10. Ibid.

11. Sadan, *A Policy for Immediate Economic-Industrial Development*, p. 53.

12. Ibid., pp. 53–54.

13. For more details on Sadan's recommendations see Roy, "Separation or Integration," and Sadan, *A Policy for Immediate Economic-Industrial Development.*

14. Lamis Andoni, "Arafat's Deal Could Leave the Palestinians Isolated," *Christian Science Monitor*, 8 September 1993, p. 6.

15. Graham Usher, "Why Gaza Mostly Says Yes," *Middle East International*, 24 September 1993, p. 20.

16. Hannan Mikhail Ashrawi, "The Contemporary Palestinian Poetry of Occupation," *Journal of Palestine Studies* 7, no.3 (Spring 1978): 94.

Postscript

The Palestinian Economy After Oslo: De-Development Unabated[1]

Overview

During his successful election campaign for prime minister of Israel in 1999, Ehud Barak, ran on a platform of "Peace Through Separation: We Are Here; They Are There." The "they," of course, referred to the Palestinians living in the Gaza Strip and West Bank. In June 2000, Prime Minister Barak instructed the Peace Directorate in his office to prepare a "separation plan along the seam," the boundary line between the State of Israel and the Palestinian Authority (PA) areas that will be part of the permanent settlement. The fundamental concept underlying the plan is "separation between the two entities with possibilities of cooperation."[2]

According to Barak's vision, separation, which aims to limit the physical interaction of the Israeli and Palestinian populations, is to be achieved through the construction of checkpoints (such as the one between Bethlehem and Jerusalem), walls, fences, trenches, bridges, canals, and tunnels. Cooperation, by contrast, refers to those areas or activities, largely economic, in which Israelis and Palestinians "jointly" can engage, such as the much-publicized industrial estates.

Yet, the seemingly opposed notions of separation and cooperation, defined and discussed in the previous chapter as "political divorce and economic marriage," are consistent with longstanding Israeli policy imperatives and are linked by one fundamental and constant reality: Israel's continued control of Palestinian life. Perhaps more than any other feature of the post-Oslo period,

Israel's unmitigated domination of Palestinian resources remains the most prominent. In this respect primarily, the structural relationship between occupier and occupied, and the gross asymmetries in power and the limitations that emanate from it, have not changed since the Oslo process began in 1993, and remain at the root of Palestinian weakness.

Since 1996, the Palestinian-Israeli peace process has appeared to be deadlocked. The Camp David Summit, which took place in July 2000, represented yet another attempt to revive what may be considered a failed political process. The political failure of the Oslo process stands in stark contrast to the promise and expectation that initially accompanied it. In addition, Oslo's political troubles have occurred within a context of unprecedented economic decline in the Palestinian sector.

In the previous chapter, which concluded the first edition of this book in 1995, I stated (p. 325): "the end of de-development is directly tied to the degree to which expropriation, integration, and de-institutionalization [the main components of de-development] are reversed and to the establishment of Palestinian independence. This reversal, in turn, is based on the future economic and political relations between Palestinians and Israelis and, most importantly, on the terms of those relations."

Here, I will demonstrate not only that the peace process has failed to ameliorate let alone end de-development or the terms upon which it is based, but it also has "accelerated the process by introducing into the Palestinian economy new dynamics that have further attenuated an already diminished socioeconomic base."[3] Arguably, there never has been a period since the imposition of Israeli control in 1967 when the Palestinian economy has been so vulnerable. When measured against the advances made by other states in the region, the Palestinian economy is weaker now than in 1967.[4]

The economic losses to Palestinians during the post-Oslo period have been devastating. The average unemployment rate, for example, increased from 18.2 percent in September 1995 to 28.4 percent in May 1996, one of the highest unemployment rates among nearly 200 countries and political entities, according to the World Bank. Real Gross National Product (GNP) declined 18.4 percent between the end of 1992 and the end of 1996. During the same period, real per capita GNP fell a dramatic 37 percent with a concomitant increase in poverty rates.[5] The poor are many, especially among children, and are now visible in a manner not seen before 1993.

Rather than becoming more modern, internally integrated, and complex, the Palestinian economy is becoming more atavistic, disarticulated, and fragmented. Indeed, since the initiation of the Oslo process, the Palestinian economy has moved toward a structure that increasingly is characterized by small production units using local inputs to produce for the domestic market (and one in which more and more people are becoming divorced from the means of production and deskilled). The economic patterns taking shape in the West Bank and Gaza Strip are strikingly similar to and, in certain respects, more harmful

than those that characterized Palestinian economic activity during direct Israeli military occupation.

Palestinian economic contraction, which appears all the more startling in a globalizing world economy, not only constrains growth but limits its impact. Economic gains, when they do occur, easily and swiftly are reversed, suggesting in turn that economic growth, let alone development, is the exception and not the rule in the Gaza Strip and West Bank today. It is poverty not prosperity that increasingly characterizes the local landscape. People have become more vulnerable and their communities are weaker.

The reasons for Palestinian economic regression are many and interrelated but turn on one primary axis: closure. Israel's closure policy, which restricts and at times bans the movement of labor and goods from the occupied West Bank and Gaza Strip to Israel, to each other, and to other external markets, represents the single most deleterious factor shaping the nature of Palestinian economic activity; yet, closure remains largely unrecognized. Since it first was imposed in March 1993, closure never once has been lifted.

Closure has become an economic fact of life in the West Bank and Gaza, a permanent system that has introduced a host of new and intractable problems into an already weakened and structurally distorted economy, further attenuating the possibility of economic growth and reform. These problems include: high and fluctuating unemployment, permanent unemployment for a growing segment of the labor force, the declining mobility of labor, diminishing trade, weakening agricultural and industrial sectors and declines in domestic production, reduced investment in needed export-oriented industries, low levels of infrastructural development, rising levels of poverty and child labor, and increasing demand for relief and social assistance. Closure also has resulted in the geographic isolation of the West Bank and Gaza Strip, a reality without precedent since 1967, and the spatial separation of their populations. This bifurcation not only has immense implications for the reconstruction of the Palestinian economy but also for the implementation of a viable and sustainable political solution.

The PA also has played an important albeit secondary role in shaping the current economic environment. Despite some achievements in establishing a reasonably efficient and competitive banking system and a functional tax system, the PA has failed to establish a regulatory and institutional environment that would attract high levels of foreign investment. The latter is critically needed for the growth of the private sector, which is a prerequisite for economic development. Moreover, some of the policies already instituted by the Palestinian government seem to evince an outright hostility toward economic reform and modern institution building. These policies, which are characterized by secretiveness and a lack of transparency, include the establishment of monopolies (and price fixing) over a range of essential commodities, a preference to collude with influential private sector interests rather than to promote free competition, mismanagement of the public sector, and increasing corruption

within the bureaucracy.[6] Furthermore, the PA's disrespect for its own people, as seen in its consistent disregard for human rights and the rule of law, and its growing tendency toward authoritarianism and repression bode ill for the economy and society alike.

While the PA has contributed to the adverse economic situation in the West Bank and Gaza, it is the Government of Israel that remains the primary determinant of Palestinian economic life. The historical construction of the Palestinian economy has remained fundamentally unchallenged after Oslo. Despite certain policies of territorial (and functional) separation imposed by the Israeli government since the signing of the first Oslo Agreement in 1993, Palestinian economic dependence on, and integration with, Israel remains marked.

Israel's continued domination of the economy specifically, and of the West Bank and Gaza Strip generally, is not accidental. The continuation of (pre-) existing power relations between Israel and the Palestinians, and the structures that underlay them, is a characteristic feature of the Oslo agreements, including the Economic Protocol. These agreements, as designed, did not alter the structures of occupation but maintained them, albeit in new, somewhat less direct forms. In this way, the Oslo agreements, like the policies that preceded them, preclude needed economic restructuring. Therefore, it is not the specific policies of any given Israeli government per se that obstruct "peace" as many observers have maintained, but it is the agreements themselves. What kind of economy then can arise in the West Bank and Gaza? How can the de-development process be reversed? I will address these questions and the argument as stated by examining the following topics: economic conditions in the Gaza Strip and West Bank just prior to the Oslo Agreement; the specific Oslo agreements, including the Economic Protocol; closure policy; the economic impact of the Oslo agreements and closure; post-1997 economic improvements in the context of closure; the economic role of the PA; and the role of donor aid. I examine the Palestinian economy as a whole rather than the Gaza Strip alone (although specific references to Gaza's economy will be made when appropriate). This is done because the economic impact of the Oslo agreements, closure, and the political changes to which they have given rise, are best understood when viewing the economy as a whole.

The Palestinian Economy on the Eve of the Oslo Agreement

At the time the first Oslo Agreement was signed in September 1993, the Palestinian economy in the Gaza Strip and West Bank was weak, dependent, and sectorally imbalanced. Twenty-six years of restrictive Israeli policies combined with the highly damaging impact of the six-year long intifada and the Gulf War had exposed the Palestinian economy to excessive risk and external shocks relative to the economy's size, and these directly shaped indigenous economic patterns.[7] One such pattern has been the declining demand for unskilled Palestinian labor in the Israeli market. Another, which resulted from

the 1990–1991 Gulf war, was the disappearance of Gulf country markets as a source of demand for newly educated Palestinian labor.

Historically, Israeli policy in the West Bank and Gaza was characterized by several economic imperatives: the integration of the Arab labor force into the lowest sectors of the Israeli workforce; the restructuring of trade relations to favor Israel; the expropriation of land and water;[8] low levels of investment in the economy's productive sectors; and the elimination of the refugee "problem." Throughout, the Israeli government envisioned economic integration not structural reconstruction,[9] and in this it was successful.

By 1993, the productive sectors of the Palestinian economy, agriculture and industry, had weakened considerably due in large part to Israeli-imposed restrictions on sectoral expansion and reform. Indeed, the balance of output had remained largely unchanged since the 1960s. Agriculture, for example, while affected by reductions in land and water, continued to hold a large (34 percent) but declining share of the Gross Domestic Product (GDP). Industry, confined primarily to subcontracting for Israeli firms, accounted for the GDP's lowest share (7–8 percent compared to 25 percent in Jordan).[10] Low levels of industrialization and a distorted industrial structure led to the underdevelopment of manufacturing and other related economic activities.

Infrastructural services, a key economic component, were seriously underdeveloped, especially in comparison with other countries in the region. For example, by 1993, every 100 people in the West Bank and Gaza received 13 kilowatts of electric power compared with 21 kilowatts in Egypt and 25 kilowatts in Jordan. Similarly only 25 percent of Palestinian households had sanitation compared with 50 percent in Egypt and 100 percent in Jordan.[11] This is powerfully illustrated by the continued existence, after almost 50 years, of open sewage in the refugee camps. The service sector, moreover, continued to dominate the local economy. Because of the weakness of the productive sectors and myriad Israeli restrictions on the development of the private sector and economic reform overall, investments were funneled overwhelmingly into residential construction.

The economy also was characterized by imbalances in the labor market and a heavy dependence on external sources of income. The weakened state of the traditional sectors of production, combined with Israeli-imposed restrictions on regional and international trade and on the development of a viable financial system, compelled labor to seek employment outside the local economy. Between 1972 and 1990, the Palestinian labor force increased by 64 percent while domestic employment increased by 28 percent.[12] Not surprisingly, the Palestinian economy became a key exporter of labor—nearly half the labor force was employed in external markets in the early 1990s. Restrictions on institutional development also contributed to the de-development of the Palestinian economy.

Since the domestic economy could generate only two-thirds of its national income, consumption was greater than production and the resulting

deficit was filled by imports, upon which the Palestinian economy increasingly and heavily relied. For example, imports, averaging 70 percent of GDP in value between 1970 and 1990, consistently exceeded exports, which averaged 20 percent.[13] Since most imports and exports occurred in trade with Israel, the local economy became deeply tied to economic conditions in Israel, not only for employment and trade but also for production and consumption. Remittance income was very large relative to total income, widening the gap between GNP, the measure of national income, and GDP, the measure of economic activity inside the West Bank and Gaza.

By 1993, Palestinian economic dependence on Israel was extreme and the integration of the two economies was deep. The Palestinian economy, like many less developed economies, did not suffer from deficiencies in demand but from a lack of productive capacity, itself a product of inadequate sources of capital, low skill levels of the labor force, and outdated technology. Given this state of the economy on the eve of the Oslo signing, the key priorities for any development or reconstruction effort needed to include (among others): generating employment; expanding the capacity (through heightened investment) of the productive sectors (agriculture and industry) in order to address structural distortions and create sustainable growth; emphasizing the development of agriculture and industry over services; increasing the growth of the private sector (and its relationship with the public sector) in order to accelerate private investment; allocating investment among developmental sectors in an appropriate manner; improving the quality of human resources in order to improve capacity; and ending dependency on Israel. Corollaries to these priorities included (among others): generating enough savings to finance investment and producing enough exports to pay for imports; encouraging and strengthening savings and exports rather than financing consumption and imports; removing restrictions on business; removing all barriers to trade; building infrastructure to support investments; promoting production and trade in the private sector; and minimizing resources allocated to security.[14]

The Oslo Agreements and the Economic Protocol: Defining the Parameters of the Palestinian Economy

The policy parameters of the interim period (1994–2000) were established fundamentally by four agreements between the State of Israel and the Palestinian Liberation Organization: the Declaration of Principles (DOP/Oslo I) in September 1993, the Protocol on Economic Arrangements (Paris Agreement) in April 1994, the Agreement on the Gaza Strip and Jericho Areas (Cairo Agreement) in May 1994, and the Israel-Palestinian Interim Agreement on the West Bank and Gaza Strip (Oslo II) in September 1995. Collectively, these documents define a legal framework for Palestinian economic activity, especially economic relations with Israel. Certain features of this framework are worth noting.

Perhaps the most significant overriding feature of the Oslo process is the abandonment of international law in favor of bilateral negotiations between two parties of grossly unequal power. Despite the appearance of symmetry between Israel and the PLO, it is Israel that possesses almost total power while the PLO/PA possesses almost none. As such, the various Oslo agreements overwhelmingly reflect Israeli interests and concerns. Israel has the power, unchallenged by any official actor, to enforce unilaterally its own terms on the implementation process even if they violate the agreements themselves. Furthermore, under the terms of the DOP, Israeli military law, including many restrictions on economic activity, remains in force during the transitional phase, effectively placing the West Bank and Gaza Strip under the continued authority of the occupation regime, which retains all of its powers and prerogatives.[15] For example, in the Gaza Strip only 70 out of the 1000 Israeli military orders imposed there since 1967 were designated for abrogation.[16] Thus, although the PA was granted control over certain sectors of activity such as education and health in the Gaza Strip and designated areas of the West Bank, ultimate authority over the disposition of the territories lay with Israel.

Prior to the Oslo II Agreement, Israel also retained a veto over all Palestinian legislation "which might jeopardize major Israeli interests whose overriding power is recognized by the Agreement."[17] The PA therefore was unable to deal with any security issue under Israeli responsibility and it remained powerless to legislate any Palestinian law that could be interpreted as harmful to Israeli interests.[18] With the signing of the 1995 Oslo II Agreement, the Israeli veto over Palestinian legislation formally was eliminated but in practical effect, the situation remained unchanged since the PA continued to have no power to implement any law to which Israel would object, making the legalities largely irrelevant. These features, among many others written into the agreements, reflect the gross asymmetries in power between the two protagonists, which continued unaltered.

In another departure from the DOP, the Oslo II Agreement, for reasons that are beyond the scope of this chapter to detail, legally assigned to the Palestinian Legislative Council (PLC) primary legislative and executive authority, superseding that of the PA's elected *ra'is* (head), Yasir Arafat.[19] Yet, this right has not been implemented nor has it been publicized given the stated desire of Israel and the United States to maintain Arafat's dominant position within the PLC and the government. Certain U.S. officials privately admitted their knowledge of the legal changes vis-à-vis the PLC as well as their desire to ignore them. As a result, the PLC remains weak and largely ineffective in challenging the "foreign" or domestic policies of the executive, with which it often disagrees. This further deprives Palestinians of power that is meaningful and fully independent of external, largely Israeli control.

A key feature of Oslo II, which detailed the extension of limited self-rule to the West Bank, was the division of the West Bank into three areas (A, B, C), each under varying degrees or Palestinian and/or Israeli control. With this

agreement, the State of Israel gained legal control over a majority percentage of the West Bank, something the state has sought since 1967. Area A, which initially consisted of seven major Palestinian towns, is under the total civilian and security control of the PA. Area B comprises the remaining Palestinian population centers (excluding some refugee camps) where civilian control resides with the PA and security control with Israel. Area C, which incorporates all Israeli settlements, "state lands," and Israeli military bases, remains under the total control of Israel. By October 1998, the PA had full control of two percent of the West Bank (Area A), and civilian control over 26 percent (Area B). Israel retained total control over 72 percent of the West Bank (Area C). By March 2000, Areas A and B grew to 17.2 percent and 23.8 percent of the West Bank respectively with Area C at 59 percent.[20] It is important to point out that Israel's retention of security control over Area B effectively places that region under Israeli control. In practical terms, therefore, Israel actually controls almost 83 percent of the West Bank.

While the absolute area under full or partial Palestinian control has increased (and is expected to increase further as part of a permanent settlement), these areas are non-contiguous and constitute, in effect, isolated enclaves separated by areas under the complete jurisdiction of Israel. Hence, even if Palestinians are given authority over larger enclaves, and thus more of the West Bank, they will not have control over borders, internal or external to the West Bank. Indeed, according to Amnesty International, by December 1999, the Oslo agreements had created 227 separate West Bank enclaves under the full or partial control of the PA. Approximately 88 percent of these areas are less than two square kilometers. Critically, all Palestinians in the West Bank live within six kilometers of Area C lands.[21]

Hence, the division of the West Bank into different areas, itself inconceivable in other national contexts, has given Israel a new mechanism with which to control the Palestinian people. Not only is the population demographically separated, it is difficult to imagine how a viable economy could be created in 227 tiny enclaves that are severed from each other let alone from Palestine's logical trading partners in surrounding countries.

The Protocol on Economic Relations called for the introduction of certain new economic powers for Palestinians and for the elimination of some longstanding restrictions. Yet, decision-making authority over the most critical aspects of the Palestinian economy was maintained wholly by Israel, formally legalizing Palestinian economic dependence on Israel and Israeli control of the Palestinian economy, arguably for the first time. For example, under the terms of the agreements, key resources (including the critical factors of production) such as land, water, labor, and capital remain subject to Israeli jurisdiction for the entirety of the Occupied Territories. By mid-2000, Israel retained direct control over 20 percent of the Gaza Strip in addition to its 59 percent share of the West Bank. In these areas, Israel also has legal authority over zoning, building, land registration, and all other resources.

In that portion of the West Bank under both Palestinian and Israeli authority (Area B), the PA has partial administrative control while Israel has complete authority over the disposition of land, water, etc.[22] It is only in Area A that Palestinians exercise total control over their resource base. However, most of the land "returned" to the Palestinians "is the least desirable and least productive, from an economic point of view."[23] Thus, it is worth noting that the bulk of Palestinian agricultural land, a key component of the local economy, is located in Area C and therefore outside the PA's legal and economic domain.[24]

Between 1994 and 2000, the Israeli government confiscated approximately 35,000 acres of Arab land in the West Bank, much of it agricultural, for the construction of bypass roads and settlement expansion. Ironically, Arafat agreed to this confiscation as part of the Oslo II Interim Agreement. Similarly, in 1999, after the Barak government was installed, Israeli authorities confiscated some 10,000 acres of Arab land in the West Bank and Gaza Strip for Israeli settler use.[25] Furthermore, on 18 July 2000, during the negotiations at the Camp David Summit, the Israeli military command in the West Bank issued a military order forcing the evacuation of the entire village of Beit Iskarya, home to 300 people. This village is several hundred years old and located near Bethlehem. The evacuation was ordered to allow for the expansion of a nearby Israeli settlement, Kfar Atsyrun, and the annexation of this settlement to Israel.[26] Indeed, between September 1993, when the Declaration of Principles was signed, and April 2000, the number of settlers in the West Bank grew by 85 percent, from 100,000 to 185,000 people, and the number of settlements increased by 30. By April 2000, the total number of Israeli settlers in the West Bank, Gaza, and East Jerusalem was 400,000.[27]

Critically, the Israeli authorities also have retained control over all borders, which means control over the movement of labor and goods, the closure notwithstanding.[28] The Economic Protocol states: "both sides will attempt to maintain the normality of movement of labor between them, subject to each side's right to determine from time to time the extent and conditions of the labor movement into its area."[29] This clause, which is meaningless to the PA since no Israeli seeks employment in the Arab sector, gives Israel the legal right to restrict the entry of Palestinian labor according to its own criteria and methods.[30] Furthermore, no Palestinian laborer or product can exit the West Bank or Gaza without an Israeli permit. Both workers and goods also require a permit from the PA, which only adds another layer of bureaucracy to an already cumbersome process since no movement is possible without Israeli authorization. Thus, even though closure was imposed before the implementation of the Oslo agreements, the agreements legalized and institutionalized closure as a policy measure.

Because of the small size of the Palestinian economy, trade is a critical component of development. However, given Israeli control of borders as established in the Economic Protocol, Palestinian trade continues to be wholly mediated through Israel. The protocol calls for a quasi-customs union between

Israel, the West Bank and Gaza. A customs union permits free trade or open borders between participating economies and imposes joint and identical import restrictions (e.g., tariffs) on trade with other countries.[31] In the case of Israel and the Occupied Territories, the quasi-customs union arrangement (something between a customs union and a free trade area), which reflects Palestine's continued extreme dependence on the Israeli market, was characterized by certain modifications and restrictions.

The Economic Protocol allows Palestinian trade with the Arab world. However, imported goods are subject to a range of restrictions including quotas agreed to by both sides for over 60 tariff items. These items must meet Israeli quality standards for imports. According to the World Bank, these standards are considered to be "above what would be desirable given Palestinians' income levels. Even in the midst of border closures (when Israel's closing of the border led to meat shortages in the Gaza Strip), meat could not be imported from Egypt because of quality standards restrictions."[32] Furthermore, only certain goods could be imported from Jordan and Egypt in quantities agreed to by both sides, while the quantities of others would be approved according to demonstrated Palestinian need.[33]

Another modification written into the Economic Protocol calls for the imposition of quotas on Palestinian exports, notably agricultural exports. Although Israel theoretically opened its borders to Arab agricultural products, this opening is a restricted one, a measure meant to protect Israeli farmers. For specified Palestinian exports, Israel's borders were to be opened gradually over a five-year period and annual quotas imposed.[34] These agricultural exports—poultry, eggs, potatoes, cucumbers, and tomatoes—are most competitive with Israeli products and constitute approximately 60 percent of Gaza's agricultural production. In addition, one Israeli export to the Palestinian economy, melons, was included.

The Economic Protocol also gives Palestinians the legal right "to export their agricultural produce to external markets without restrictions."[35] Yet, these markets are largely inaccessible to Palestinians given Israel's almost total marketing monopoly over key agricultural exports. Access further is weakened by Palestinian reliance on Israeli marketing mechanisms and inexperience with international marketing.

Given the non-competitive nature of Palestinian industrial products and the expansion of Israeli subcontracting ventures at the time of the Economic Protocol's formulation, fewer restrictions were imposed on industrial trade between Israel and the Palestinian territories. Yet, industrial subcontracting and the trade to which it gives rise create limited employment for Palestinians, transfer low levels of technology, depend on labor-intensive production methods, and generate low value-added.

As a result, Palestinian industry post-Oslo remains as weak and dependent as it was pre-Oslo.[36] The agreements have secured for Israel an uncontested Palestinian market—a source of low technology, low-cost goods for

Israel and a repository for high-priced manufactured goods from Israel.[37] Closure has made the Palestinian subcontractor even more dependent on his Israeli manufacturer. Yet, the marketing uncertainties created by closure have compelled Israeli suppliers to transfer production to other neighboring countries like Jordan and Egypt where such uncertainties do not exist and where labor costs are cheaper.

The Economic Protocol's structural terms of reference describe what could be called a "best case" scenario for the interim period. Yet, even under this more optimistic scenario, whose positive effects largely have been vitiated by the restrictions of closure policy (see below), the West Bank and Gaza would remain a captive market for the Israeli economy in both labor and goods. This is because the "customs union" articulated by the Economic Protocol was accompanied by certain critical restrictions for the Palestinian economy. First, the PA cannot establish or pursue independent trade relations with third countries since Israel, with certain specified exceptions, determines trade policies (tariffs, quotas, and standards) under the customs union established by the Economic Protocol. This means that the PA legally is prevented from seeking new markets for its exports and for new sources of cheaper imports.[38] Indeed, Palestinians cannot import goods from countries that do not have trading links with Israel, which includes the majority of Muslim countries.[39] (The PA's ability to establish trade links with other countries is crucial. Not only would such links reduce Israel's share of Palestinian trade but would promote expanded domestic production and employment, thereby reducing the dependence of Palestinian labor on the Israeli market).

Second, the PA has no guarantees of uninterrupted access to those markets it can enter either for its exported finished products or for imported raw materials for production. Third, the PA has no strategic decision-making power in other areas of economic policy (e.g., fiscal, monetary).[40] Thus, the "customs union" established between Israel and the Palestinian economy "continued to reflect Israeli policy and was not a coordinated trade policy as is the case with many other customs unions in the world."[41] Stated differently, as a result of the Oslo agreements not only did the Palestinian economy lose its significant share in the Israeli labor market upon which it was extremely dependent, it also effectively forfeited free access to international markets.

The terms prescribed by the Economic Protocol do not alter existing structures or decrease Palestinian dependence on Israel. On the contrary, these terms deepen Palestinian-Israeli ties by keeping the West Bank and Gaza Strip economically linked to Israel while weakening their economic links to each other as well as to the rest of the world. For example, the Economic Protocol provides for the transfer by Israel of value-added taxes (VAT) and customs revenues to the PA. Although these transfers are very important because they account for a majority share of the PA budget—in 1996 they equaled 65 percent of the PA's tax revenues and 14 percent of GDP—they also reveal ties of economic dependence that place the PA in a weak and vulnerable position

vis-à-vis the Israeli government. Overall, the Economic Protocol and other Oslo agreements serve to "split up the West Bank and Gaza into a number of largely separate economic units with little economic interrelationship among them, breaking up an already small domestic market into even smaller ones."[42] Indeed, the lack of a geographic basis for the PA and the absence of defined borders with Israel, Egypt, and Jordan lie at the core of the problems facing the Palestinian economy. This absence is not accidental but a reflection, in the final analysis, of official Israeli preferences (of both the Labor and Likud parties) and Israel's power to enforce them.

In negotiations over trade relations, for example, both sides were motivated by political and economic factors. The Palestinians sought some semblance of sovereignty, and preferred a free trade regime that would have established borders between their economy and Israel. The Israelis wanted to defer political decisions over the final status of the West Bank and Gaza, avoid the drawing of borders, and proposed the continuation of the existing de facto customs union.[43] The Israeli position prevailed. Because the economic agreement was negotiated in political isolation or outside any final determination of political status and the PA's territorial jurisdiction, the Palestinian government has no geographic basis upon which to organize its economy and plan its development, a major economic impediment.

Hence, even a more positive outcome under the Economic Protocol's terms might have brought Palestinians economic growth and individual prosperity but no economic development or reform. This is because the structural terms defined by the agreements continued to be based on the forced (not voluntary) integration of the Palestinian and Israeli economies. (Some analysts, including those at the World Bank, argue that one important change introduced by the Economic Protocol is that Palestinian economic integration with Israel is now voluntary rather than imposed, a distinction I consider misleading and incorrect in view of the continued Israeli dominance of Palestinian economic relations.[44]) Hence, it is not the structure but the form of occupation that has changed.

In this regard, the PA's newly acquired power to set tax rates, collect income taxes and municipal fees, and establish banks—often cited as important changes introduced by the Economic Protocol—does little, if anything, to alter the structure of Palestinian economic dependence or challenge the terms of that dependence.[45] The underlying structural relationship between occupier and occupied not only is unchanged but is reinforced. That ties should exist between the Israeli and Palestinian economies is not in dispute; rather, the terms of those ties are being questioned. Indeed, according to the arrangements prescribed in the Oslo agreements, the Palestinians cannot separate from Israel at all.

Closure Policy

It is a great irony of the Oslo process that as political relations between Palestinians and Israelis improved, economic relations deteriorated. Oslo's

promise of economic prosperity upon which the "new" political order was to be based, in reality has been hollow. The reason is Israeli closure (and work permit policies). Closure substantially reduced both Palestinian employment in Israel (with few compensating options elsewhere) and the income associated with that employment. It also reduced Palestinian trade levels, particularly with regard to exports, altered the character of domestic production toward more traditional activities, reduced production levels, and dramatically lowered the standard of living (e.g., declines in income, consumption, and savings). Closure, perhaps more than any other Israeli measure, illustrates the aim of Israeli policy: to separate Arabs from Israelis but maintain the integration of the Palestinian economy with that of Israel. The short- and longer-term implications of closure for the Palestinian economy and its people, which are examined below, are extremely detrimental.

Between 1967 and 1987, Palestinians and Israelis had open access to each other's towns. During this time Palestinians, under the general exit permit, had considerable freedom of movement in Israel, the West Bank, and Gaza. The borders were open for people and goods, forming the basis of Moshe Dayan's functional integration policies. During the intifada, Israelis avoided Palestinian areas but Palestinians continued to have access to Israel, although the number of workers was declining. Gazan workers wishing to enter Israel during this time were required to obtain the magnetic card from the Israeli authorities.

During the 1990–1991 Gulf War, however, Israeli policy underwent a fundamental shift vis-à-vis the Palestinians. In January 1991, Israel cancelled the general exit permit for Gazans and West Bankers. Initially, this move was regarded as a temporary measure, given the heightened political tensions and the imposition of curfews. However, even after tensions subsided and the curfew was lifted, all Palestinian workers still were required to obtain a permit to work in Israel (at this time, the work permit system applied only to young men). Similarly, Israeli employers began to face harsher sanctions for failing to register their Arab employees. Hence, after January 1991 Palestinians became more costly to employ, which led to a sharp decline in Palestinian workers in Israel.[46]

It was at this time as well (see Chapter 12), that the Israeli civil administration began to encourage Palestinians to invest in Gaza and official permission was given for the establishment of long prohibited factories. Industrial zones also were introduced as a new economic option. Underlying these initiatives was a strategy that now aimed to keep Palestinians working for Israelis but in Gaza rather than Tel Aviv.

Although the revocation of the general exit permit constituted the real start of the closure policy, it was not until March 1993 that closure first was imposed as a permanent and administrative measure affecting all sectors of society and demographically bifurcating the Gaza Strip and West Bank. The March 1993 closure was imposed in response to heightened levels of violence by

Palestinians against Israelis inside Israel. Since then, closure has become an institutionalized system in the Gaza Strip and West Bank and never has been removed, although its intensity is subject to change. The Israeli government officially justifies closure as a security measure despite the fact that the Israeli security establishment itself has stated that closure is of limited value against extremist attacks. Closure remains in place for at least two reasons: It serves an important psychological function for the Israeli public; and it is used as a political weapon that forces Palestinian officials into accepting short-term economic improvements over long-term territorial and political solutions.[47] It also serves as a form of collective punishment against the Palestinian people.

Closure affects the movement of labor, people, and goods. It has cut off the Gaza Strip, and to a lesser degree, the West Bank, from Israel, and it also has severed movement between the West Bank and Gaza. By 1998, much physical, demographic, and commercial interaction between Gaza and the West Bank had ceased. Ironically, the Oslo agreements regarded the West Bank and Gaza Strip as a single territorial entity:

> In order to maintain the territorial integrity of the West Bank and Gaza Strip as a single territorial unit, and to promote their economic growth and the demographic and geographical links between them, both sides shall implement the provisions of this Annex, while respecting and preserving without obstacles, normal and smooth movement of people, vehicle, and goods within the West Bank, and between the West Bank and the Gaza Strip.[48]

Stories abound of how Palestinians living in the West Bank, for example, have been unable for years to obtain the requisite permits to visit family and friends living in the Gaza Strip.[49] Furthermore, by restricting Palestinian access to Jerusalem, Israel's closure policy physically has separated the northern and southern regions of the West Bank, whose primary road connections pass through Jerusalem. Since East Jerusalem is the commercial heart of the West Bank, closure has devastated Jerusalem's Arab economy as well. The psychological impact of closure also has been dramatic. The physical division of the West Bank has become so pronounced that families living in the northern region do not want their children to marry spouses from the southern region because they fear they will not be able to see them (even though the distance between the north and south West Bank is no more than 40 miles).[50] A young worker in Gaza said: "I use to dream about having my own country. Now I dream about getting out of the Gaza Strip. All I want is to be able to work." [51]

Closure has three forms: general, total, and internal.[52] General closure refers to the overall restrictions placed on the movement of labor, goods, and the factors of production between the areas described above and typically is accompanied by long delays at border crossings and prolonged searches. According to the United Nations, general closure is enforced by "fixed checkpoints at key border crossings to control mobility and a comprehensive system

of differentiated permits to control movement of laborers, business people, medical personnel and patients, students, religious worshipers and other categories of people."[53] These border checkpoints not only have slowed the mobility of people and goods but also have increased significantly transaction, production, and operation costs.

Total closure refers to the complete banning of any movement between the West Bank/Gaza Strip and Israel and other foreign markets, and between the West Bank and Gaza, and typically is imposed in anticipation of, or after an extremist attack in Israel.[54] The duration or frequency of total closures never can be predicted, adding greater risk to an already uncertain situation. During total closures, even Palestinians holding work permits to enter Israel are denied access, as are duly registered cars and trucks owned by Palestinians. Only Israeli-owned and operated vehicles can cross borders during total closures.

Internal closure refers to restrictions on movement between Palestinian localities within the West Bank itself, and was made possible by the geographical cantonization of the West Bank legalized in the Oslo II Agreement. However, since these urban enclaves are not contiguous, movement in and out of these towns or to nearby villages is, depending upon circumstance, partially or totally restricted, effectively separating one Palestinian community from another.

Between March 1993 and March 1996, any Palestinian wishing to enter Israel or Jerusalem (and by extension, the West Bank and Gaza) alone or with their cars and trucks, had to obtain a permit from the Israeli authorities. It is through the permit system, in large part, that the closure policy is enforced. Since March 1996, it has been very difficult to obtain passes, especially for West Bank-Gaza travel. Between March 1996 and June 1997, for example, only 500 non-VIP passes were issued (out of a population of over two million).[55] The VIP passes are restricted to Palestinian government officials, who can move more freely between areas but are also subject to restrictions in movement, especially during periods of total closure. In 1998, only married men over the age of 35 and women over the age of 30 could obtain permits.[56] In fact, by early 1998, less than four percent of Palestinians living in the West Bank and Gaza Strip had permission to enter Jerusalem.[57] Clearly, closure policies have led to the creation of groups or classes of people who increasingly are categorized by their ability to exercise freedom of movement, now a privilege not a right.

In the years between 1993 and 1996, the Israeli government imposed 342 days of *total* closure in the Gaza Strip and 291 days in the West Bank.[58] Thus, for almost one-third of each year between 1993 and 1996, Palestinians were prohibited from any physical or economic movement outside the West Bank and Gaza, and on the remaining days were subject to closure in a less extreme form. In 1996 alone, closures in the Gaza Strip increased by 35 percent and in the West Bank by 57 percent over the year before.[59]

Closure policies have resulted in enormous losses for the Palestinian economy. In 1996, for example, losses due to closure amounted to 39.6 percent

of Gaza's GNP and 18.2 percent of the West Bank's GNP.[60] Furthermore, the World Bank estimated that the "annual costs of closure and permit policies at about 11–18 percent of GNI [gross national income] in the West Bank and 31–40 percent in the Gaza Strip for the period 1994-96."[61] The impact of closure policy has been very damaging for the economy and for the ability of people to care for themselves and their children. There should be no doubt that as long as closure is maintained as an economic regime, Israeli control over Palestinians is assured.

Closure policy and the formal cantonization of the West Bank resulting from the Oslo II Agreement have had a devastating impact on the Palestinian people. These policies have produced a double dissection of the Occupied Territories: one, demographic and the other, economic (see below). The impact is pronounced in all sectors of Palestinian society. Furthermore, these policies have institutionalized a very specific structural configuration that increasingly is characterized by the isolation of the Gaza Strip from the West Bank and Israel, and by the integration of the West Bank, or critical areas and resources of the West Bank into Israel. This integration is economic (e.g., there are more than three times as many West Bankers working in Israel at present than Gazans, a dramatic reversal of historical patterns) and physical (e.g., the expansion and construction of settlements and settlement infrastructure in anticipation of Israeli annexation). The physical, bureaucratic, and economic structure that has emerged in the Gaza Strip and West Bank during the Oslo period insures that when a Palestinian state is established it will be weak, internally fractured, and incapable of unified action. Nowhere is this debilitation demonstrated more dramatically than in the economy.

The Economic Impact of the Oslo Agreements and Closure Policy (1993–1997)

Labor

The post-Oslo period has been characterized by marked economic deterioration despite limited improvements. For purposes of examination, two economic periods can be delineated: serious decline (1993–1997) and tenuous improvement (1998–2000). Without doubt, the peace process has created rather than mitigated economic hardship for the majority of Palestinians living in the Gaza Strip and West Bank.

During nearly three decades of direct Israeli occupation, the economic structures that evolved were based on open markets for labor and goods. The closure largely reversed this. Perhaps the most visible illustration of closure's negative impact is the rising level of unemployment. Unemployment here is defined as the percentage of the labor force that did not work a single hour for pay during the survey week but were available for and seeking work.[62] Accompanying the rising unemployment has been the introduction of perma-

nent unemployment for a growing number of workers and the steady absorption of labor into the Palestinian public sector.

Between 1993 and 1996, the rate of unemployment in the West Bank and Gaza Strip almost tripled, from 11 percent to 28–29 percent, even though the Economic Protocol envisioned the official employment of over 100,000 Palestinian workers in the Israeli economy). This dramatic rise in joblessness was due to closure. For example, the comprehensive closure of March–April 1996 that followed a series of bombings inside Israel immediately resulted in the loss of 70,000 Palestinian jobs in Israel. In addition, 80,000 jobs inside the West Bank and Gaza were lost temporarily as a result of interruptions in trade and the sudden shortage of economic materials. By April 1996, unemployment (including severe underemployment) affected 66 percent of the Palestinian workforce.[63] Although this rate soon decreased, it demonstrates the extreme vulnerability of the Palestinian economy to closure and other external shocks.

In the six-month period between September–October 1995 and April–May 1996 alone, the World Bank reported that the unemployment rate among Palestine's 500,000 workers increased from 18.2 percent of the labor force (92,000 unemployed) to 28.4 percent (149,000 unemployed), one of the highest in the world.[64] By mid-1996, the United Nations reported that the average unemployment rate in the West Bank and Gaza was 29.2 percent, almost 60 percent higher than at the end of 1995.[65] Unemployment reached 39.2 percent in Gaza and 24.3 percent in the West Bank.[66] Such widely fluctuating unemployment rates are due to changes in the severity of the closure. In some instances, unemployment rates can fluctuate by as much as two-thirds within a given three to four month period.[67]

Prior to the August–September 1997 total closure, unemployment stood at 17 percent in the West Bank and 25 percent in Gaza or 20.5 percent overall.[68] Immediately following the imposition of the closure, which began on July 30, 1997, the official unemployment rate immediately rose to over 60 percent, with the inclusion of the severely underemployed and discouraged workers.[69] Indeed, if severely underemployed and discouraged workers are included in the standard definition of unemployment, the actual unemployment rate in the West Bank and Gaza prior to the 1997 total closure could have reached as high as 49.1 percent, rather than official figure of 20.5 percent.[70]

By October 1997, when the total closure had been relaxed, unemployment levels declined to 18 percent in the West Bank and 32 percent in Gaza, or 21.5 percent overall; these figures represented a doubling of the unemployment rate at the time the Oslo Agreement was signed in 1993.[71] It should be noted that between 1993 and 1996, approximately 100,000 job seekers were added to the Palestinian labor force—80,000 new entrants and 20,000 returnees.[72]

The dramatic loss of work in Israel was a major factor in rising unemployment. For example, between 1992 and 1996 the number of Palestinians employed in Israel decreased from an average of 116,000 (representing over one-third of the labor force) to 28,000 workers. There was no commensurate

increase in employment within Gaza and the West Bank, the marginal increases recorded in agricultural and construction employment being offset by a decline in industrial jobs. Thus, in four years, the Israeli government reduced its Palestinian workforce by 88,000, a number equal to almost 20 percent of the total Palestinian labor force. Concomitantly, incomes earned in Israel fell from 25 percent of GNP in 1992 to only 6 percent in 1996.[73]

For Gazan workers alone, whose dependence on the Israeli labor market was always greater than that of West Bankers, job loss was extreme, falling from 80,000 workers in Israel in December 1987 (just before the intifada) to 30,000 in March 1993 (just before the imposition of the closure). During the 1993–1997 period, the number of Gazans employed in Israel depended on the intensity of the closure, and fluctuated between 0 and 30,000, averaging between 20,000–22,000. The hardship imposed on people has been great, cumulative, and long-lived given the lack of viable alternatives. The negative impact is illustrated by the painful questions of a father of eight children living in one of Gaza's refugee camps: "How can I tell my children that I do not have enough money to buy them proper food? What am I supposed to do? Where am I supposed to go? This is not peace. This is war."[74]

Because of closure and the uncertainties it creates, Palestinian workers became more costly for Israeli firms to employ. Israeli employers responded in part by absorbing over 200,000 legal and illegal foreign workers from Eastern Europe and South Asia to replace perennially absent Palestinians. Thus, according to the World Bank, "Palestinian employment opportunities in Israel have been permanently reduced."[75] By 2010, it is estimated that the Gaza Strip population will have doubled since 1995 and will have grown in the West Bank by 60 percent. In order to prevent unemployment from increasing beyond 1997 levels, 450,000 new jobs will have to be created in the Palestinian economy, which is impossible under existing conditions.[76]

The loss of work in Israel was partially offset by employment generation in the Palestinian public sector, itself made possible by donor aid and tax clearance revenues. Between 1993 and 1996, the PA created 50,000 new jobs—30,000 in the police force and 20,000 in various ministries,[77] increasing the number of civil servants from 22,000 in 1993 to over 70,000 in 1996.[78] One year later, in December 1997, the PA employed 86,800 people—48,400 civilians and 38,400 in security.[79] With respect to the relatively high number of personnel working in security, it should be noted that the ratio of policemen per 1,000 residents is 16.7 in the PA-controlled areas, compared with only 4.2 in Israel (and 3.2 in Germany and 2.0 in Belgium). Thus, while Israel's population is more than two times the size of the Palestinian population living in the PA-controlled areas, the Palestinian police force is 60 percent larger than the Israeli police force.[80]

During the first quarter of 1997, the PA employed more Palestinian workers (18.7 percent) than were employed in the manufacturing sectors in Israel, the West Bank and Gaza combined (16.6 percent). In fact, the Pales-

tinian public sector virtually was tied with the construction (19.0 percent) and commerce/hotel/restaurant (19.2 percent) sectors as the largest employer of Palestinian labor.[81] This high level of government employment was accompanied by an equally significant rise in the PA's recurrent expenditures, from $258 million in 1993 to $779 million in 1996, an increase that left little revenue for public investment.[82]

As a result of the expansion of the civil service, 57 percent of the 1998 Palestinian budget was earmarked for public sector salaries, "a level that risk[ed] serious inadequacies in other essential non-wage expenditures."[83] According to the World Bank,

> Because the share of budget resources has risen in favor of general government functions, resources for education and health services have declined in proportional terms at a time when demographic trends actually support greater spending on social services. With high population growth rates, reduced budgets will make it increasingly difficult to sustain current social indicators with respect to primary enrollment rates and access to health care.[84]

In fact, between 1993 and 1995, public investment remained very low at $125 million (4.5 percent of GDP) and $215 million (5.6 percent of GDP) respectively. (In 1995, such investment was financed entirely by donors).[85] Indeed, infrastructure investment was less than $70 million per year between 1993 and 1996 or less than 2 percent of GDP, well below the norm of 4 percent of GDP for most developing countries.[86] An expanding and excessively large civil service will generate low pay and inefficiency and is unsustainable over time, especially when combined with low levels of public investment and a contracting private sector.

The rapid expansion of the public sector as a source of employment contrasts sharply with the limited absorption capacity of the private sector, the prerequisite for capital accumulation, sustainable employment, and economic development.[87] The weakening of the private economy, which remains well below its potential, was due to dramatic declines in labor and trade income resulting from closure. These losses were directly attributable to low levels of investment (foreign and domestic) and to a reduction in the overall efficiency of investment, "as production activity [became] increasingly autarkic, using local inputs to produce goods for the local market."[88]

In 1997, the private sector in the West Bank and Gaza consisted of "60,000 individual establishments, the majority of which employed fewer than three persons and were capitalized for approximately $10,000."[89] This underdeveloped structure represented a significant obstacle to economic growth and will continue to do so as long as closure and its attendant restrictions remain in place. Thus, the overwhelming majority of this investment—85–90 percent—continued to be channeled into residential housing, the only secure form of savings, and a form of investment that contributes little to domestic economic

growth. In fact, between 1993 and 1996, donors financed over three-quarters of the productive investment in the West Bank and Gaza Strip.[90]

Between 1993 and 1995, private investment declined dramatically from 21 percent of GDP or $529 million to a strikingly low 8 percent of GDP or $320 million.[91] By 1997, private investment had increased only slightly to 10–11 percent of GDP.[92] According to the World Bank, "the economic situation in 1995–6 was such that the hopes for private-sector-led development had to be set aside by the international agencies involved in organizing aid to the Palestinian economy."[93] The economic exigencies created by closure were so bad that donors had to divert approximately 25–40 percent of their disbursements from long-term investment to emergency budget support and employment generation schemes.[94]

Between 1996 and 1997, only 25 percent of jobs were created in the private economy, which also experienced the highest level of job destruction, while 75 percent of all new jobs derived from employment in Israel and in the PA.[95] Despite internal job creation within the PA (and employment generated by donor-financed construction projects and emergency employment initiatives), the private sector's inability to generate enough jobs for new labor force entrants and displaced workers from Israel will assure the continuation of high levels of unemployment as an economic fact of life well into the future.

These patterns stand in stark contrast to the donor community's early development strategies that envisioned the expansion of an export-oriented private sector that would promote domestic job creation and relieve Palestinian unemployment as a result of the loss of jobs in Israel. Over time, therefore, the Palestinian economy was expected to transform from being labor-exporting to commodity-exporting.[96] However, the exact opposite has occurred.

Trade

Despite the much heralded lessening of restrictions on Palestinian trade incorporated into the Economic Protocol, Palestinian trade relations post-Oslo are very similar to those that obtained pre-Oslo. This is because closure obstructs trade and vitiates the positive effects of any customs union or free trade association regimen.[97] Not surprisingly, Israel's continued dominance as a trading partner characterizes Palestinian trade. The preservation of this one-way trade structure denies Palestinian businesses free access to Israeli markets while allowing Israeli producers unlimited access to Palestinian markets. In addition, there is an excess of imports over exports and limited and obstructed access to third country export markets.[98] However, Palestinian trade relations post-Oslo also are distinguished by two new features that result directly from closure: a declining Israeli market and the separation of the Gaza Strip and West Bank markets.

A Declining Israeli Market

Since 1993, Palestine's extreme dependence on the Israeli market has not changed significantly but the price of that dependence has increased because of closure and high transaction costs (security checks and long delays) at the border. All movement between the West Bank/Gaza Strip and the international market occurs through three entry points: Israel, the largest (90 percent), Jordan, and Egypt. Although Israel remains the most important market for the Palestinian economy, reduced access to the Israeli market has resulted in a significant and seemingly permanent reduction of Palestinian exports to Israel. This loss has not been compensated by other export markets, increasingly confining Palestinians to a tiny market overall and incurring enormous losses for the economy.[99]

During the total closure of August-September 1997, for example, the Palestinian economy lost $4–6 million per day ($227 million total) or 40 to 60 percent of total income and output in the territories.[100] This daily loss is equivalent to a loss of $7–11 billion per day in the US economy.[101] The World Bank calculated that direct (income) and indirect (demand) losses from closure amounted to at least $2.8 billion for the entire 1993–1996 period; this is equal to one year's GDP or $1500 per person, and almost twice as much as the $1.5 billion in donor aid disbursed during the same period.[102]

Historically, Palestinian trade with Israel has been largely industrial. Given industry's heavy reliance on the Israeli market for supplying raw materials and intermediate inputs as well as for export, the disruption to trade caused by closure has had a pronounced impact on industrial production in the West Bank and Gaza. Closure has so dramatically increased the costs of doing business that trade has become a highly disadvantageous and increasingly risky process. These costs are largely a result of a back-to-back system of transporting goods between the West Bank, Gaza, and Israel that requires goods to be loaded onto Palestinian trucks and then off loaded onto Israeli trucks at the border for distances that are typically quite short (50–100 miles). This process includes the costs for security checks, clearance, storage, and spoilage, as well as transportation. This system adds to the weak performance of Palestinian firms that also have suffered from interruptions to the production process, increased cost of production, operation, and delivery, and lowered sales and profits.

Firms typically experience three main problems due to closure. First, they encounter great difficulty in receiving key production inputs that are delivered from or via Israel, which lowers production and sales and hinders any sort of production planning. (Public infrastructure projects that depend on imported inputs have been slowed down severely as well.) Second, firms cannot transport goods reliably to Israeli customers or conclude normal business transactions since the movement of customers and personnel is restricted. Third, firms face increased production and operation costs resulting from the

inability to collect payment, the demands of Israeli suppliers for advance payments, the unwillingness of banks to extend credit, and the rising costs of credit.

Focusing on the Gaza Strip, the U.S. State Department described some common difficulties facing Palestinian exporters in 1997:

> . . . [T]he most difficult obstacle to overcome, based on the statistics and observations seems to be closure . . . On trade . . . there is currently no possibility of Gaza exporters moving goods according to international standards: movement by container or by shipping pallet . . . into Israel or Egypt for onward shipment is forbidden by Israeli security restrictions. Produce bound for the West Bank or Israel—the biggest markets for what is the largest contributor to Gaza's gross export earnings—is permitted only via small boxes through a cumbersome back-to-back arrangement at the Karni/al-Muntar cargo terminal; textiles and other products which cannot be folded to fit through the existing security inspection machines must undergo Israeli hand inspections, which can result in damages to the products or packaging. Because of difficulties in inspection, some traditional Gaza exports to the West Bank (water tanks, for example) are now forbidden outright, while others are no longer marketable because of the higher costs associated with the current trading arrangements.[103]

Hence, goods not only have become more costly to deliver, but also their delivery cannot be assured.

One critical outcome of these problems has been the loss of the Israeli market on which Palestinian businesses increasingly rely. For example, at the time of the intifada, manufactured exports to Israel equaled $400 million per year.[104] However, by 1996, these exports were valued at only $200 million.[105] That is, merchandise exports decreased by almost one-half, from 11 percent of GDP in 1992 to 6 percent in 1996.[106]

During 1995, Gazan firms engaged in subcontracting with Israeli enterprises suffered a 50 percent decline in business due to closure.[107] This is critical given that over 80 percent of production in the Palestinian textile and garment sector is generated through subcontracting with Israeli firms.[108] The UN also reported a continuing rise in the number of business bankruptcies that became evident during the March–April 1996 closure and remained marked through the first quarter of 1997.[109]

Following the spring 1996 total closure (approximately 6–8 weeks), Palestinian firms suffered significantly reduced sales, primarily in Israel. The National Palace Hotel Restaurant, for example, lost 51 percent of its market share, the Silvana Chocolate Company lost 69 percent, and Reem Sports Shoes lost 78 percent. For nine Palestinian firms surveyed, reduced sales resulting from the 1996 total closure ranged from 9 percent to 90 percent, and averaged 57 percent.[110] Similarly, during the total closure of August–September 1997, the number of Palestinian trucks crossing Gaza borders fell to a low of 721 per week from a "normal" level of over 4000.[111]

Given the costs and risks of doing business with Palestinian firms under closure, Israeli importers increasingly have turned to more stable markets elsewhere such as Egypt and Jordan, where transactions are regular and labor costs cheaper. "Not only does this structural change increasingly confine the Palestinian business sector to its own local market, forcing it toward greater insularity, it also effectively pits one Arab market against the other."[112]

Israel's growing preference for other Arab markets, a structural change that could prove difficult if not impossible to reverse if not addressed in the short-term, has been reinforced by other economic realities. For example, because of the extant trade regime, Palestinian textile manufacturers must use expensive, heavily taxed inputs from Turkey while their Jordanian counterparts have access to less expensive, higher quality inputs from Asia. Consequently, the cost of Palestinian textile production is 2.17 times greater than that of Jordan, further undercutting the Palestinian market, which is unable to compensate for its higher costs with high productivity.[113] Additionally, Palestinian firms are less competitive domestically since Israeli exports have virtually unimpeded access to Palestinian markets during closure.

The critical percentage loss of the Israeli market has proved extremely damaging to the Palestinian economy, because under closure Palestinians have few ways to make up for it. Despite openings created in the Economic Protocol, Palestinians have had little access to the Arab world. For example, Egypt's trade with Gaza accounted for only one percent of Gaza's total imports in 1997 ($6.9 million total), even though imports from Egypt increased by 37 percent that year, compared with 1996, because Israel allowed the importation of Egyptian aggregate; the remaining 99 percent of Gaza's imports came from or through Israel.[114] Furthermore, trade with the Arab world was largely one way: into the West Bank and Gaza. In 1997, for example, Egyptian-Gaza trade (via Rafah) was exclusively from Egypt to Gaza.

These figures also point to another problem of Palestinian trade: the preponderance of imports in the balance of trade and the suppression of economic growth that results. For example, the Palestinian Ministry of Finance reported that in 1997 imports equaled $1,965 million, while exports totaled only $289 million.[115] Thus, any attempt to reorient trade away from Israel, at least in the short- and possibly medium-term, undoubtedly will incur large costs for the Palestinian economy.

Separation of the Gaza Strip and West Bank Markets

A stark illustration of closure's impact is seen in Palestinian agricultural trade. The West Bank market, formerly Gaza's largest, significantly has diminished since 1993. Gaza's produce sales to the West Bank in 1997 were one-third of 1993 levels. For example, in 1993, the West Bank accounted for 96.4 percent of Gaza's *total* sales; by 1997, the West Bank accounted for only 48.2 percent of all produce sales.[116] Between 1995 (when Gaza and West Bank trucks, with permits, still could travel between the two territories) and 1996

(when trucks were forbidden to travel between the two areas), trade between the two areas dropped to 20 percent in value.

Although Gaza produce sales to Israel increased between 1993 and 1997, the total amount was not enough to cover the loss of West Bank markets. In 1993, Gaza sold over 700 times as much produce to the West Bank as to Israel. By 1997, the West Bank and Israeli markets were almost equal in size; combined, they still did not equal Gaza's pre-Oslo level of sales to the West Bank alone.[117] The export to Israel and Arab countries of specific (but limited) products, such as tomatoes and strawberries, has remained steady since 1993, offering some compensation for lost West Bank markets. Yet, for the West Bank and Gaza Strip overall, agricultural production declined more than 40 percent between 1992 and 1995 due in large measure to closure.[118]

The partition of Palestinian markets has been aggravated by decreased trade flows to Israel and the discriminatory application of border closure, which favors Israeli producers over their Palestinian counterparts. For example, although Gaza's citrus exports (by volume) in 1997 were 73 percent of their 1993 levels, citrus exports from Israel to Gaza increased by over 32 percent during the same period.[119] Similarly, Gazan export volumes of non-citrus fruits and vegetables in 1997 had fallen by 67 percent of their 1993 levels. Yet, Israeli exports of non-citrus produce increased by over 60 percent between 1993 and 1996.[120]

The declines described above resulted, in part, from various constraints that would have led to reduced agricultural output and changed cropping patterns even in the absence of closure. These constraints include (among others): dislocations introduced by the intifada; rising water salinity and its negative impact on productivity; decreasing quantities of water (the Gaza Strip consumes 140 to 150 percent of its annual renewable water resources, according to Palestinian Water Authority statistics); low international market prices for certain products; high land prices; and decreasing amounts of land under cultivation. Nevertheless, the impact of closure also has been clear. According to the U.S. State Department:

> [I]n comparing the declines with the adoption of new trading mechanisms required by Israel, it appears that Israeli security policies and border closures have exacerbated the downward pressure, by making shipping more difficult, more expensive, and more damaging to the product. In particular, these changes, almost all of which were adopted after the signing of the Declaration of Principles in 1993, have virtually severed the West Bank and Gazan markets. In political terms, the once-anticipated "peace dividend" has not been delivered to the Gazan agricultural sector. By contrast, Israel, during the 1993–1996 period, consistently increased its citrus, produce, and cut-flower exports.[121]

Anticipating continued closure as an economic fact of life, agricultural producers started to change their investment and cropping patterns. For example, producers of higher value crops such as strawberries and carnations, which

were introduced to Gaza by the Israeli Ministry of Agriculture several years ago for export to Israel and Europe, suffered considerable losses during total closures due to spoilage. During the 1995–96 season, approximately 15 million carnation stems were lost due to closure-related problems.[122] Even if their products survive closure, farmers have found that they have little or no control over marketing costs, which can consume most or even all profits. According to the aforementioned State Department cable:

> While Gazan growers can sell directly, 80 percent of Gaza's export sales of flowers are handled by Agrexco, the Israeli agricultural export company. Agrexco can either pay the farmers outright for the stems or manage auction sales in Europe on behalf of Gazan exporters. Farmers have been disappointed with profit margins and their reliance on Agrexco is a mixed blessing: Agrexco has marketing expertise and a network of agents but levies handling, security inspection and transport fees, and takes a percentage of the price obtained at market, which can easily exceed 40% of the wholesale price of the stem.[123]

In many cases, farmers' investments far exceeded their returns, imposing financial ruin. Faced with the problems of extreme closure and marketing, growers in Gaza planted 25 percent less land with flowers in 1997–1998 than the year before while others left the sector altogether.[124]

The above scenario remained eerily unchanged from 10 years prior when I visited one of many Gaza farmers who had lost almost his entire tomato crop due to an Israeli military order prohibiting tomato exports to Israel. The farmer had planted his land as he had in past years, assuming that the same market would be available to him. During harvest time, a military order was issued announcing the closure of the Israeli market. Having no other comparable outlet, the farmer could do nothing but watch most tomatoes rot on his land.

Closure also generates disparities in prices for given commodities in the Gaza, West Bank, and Israeli markets. It is not unusual to find that the price of a specific agricultural commodity such as tomatoes will be lower in Gaza, where markets are glutted due to closure, than in Israel or the West Bank, where supplies may be lower and prices higher. While the low prices harm producers, they also may help an increasingly impoverished population survive.

Agricultural production also has returned to lower value but less perishable and more market-secure crops such as potatoes and onions. These crops are in higher demand domestically, are less vulnerable to spoilage, and, because they avoid the costs and encumbrances of trade under closure, are less subject to financial loss. If the same constraints continue, Palestinians increasingly will be producing for domestic consumption rather than for export, returning economic activity to a more insulated, traditional, and circumscribed base, and assuring the continuation of de-development.

At this point, brief mention of the Gaza industrial estates (GIE) project is warranted given the importance attached to it by Israel, the PA, and the donor community as a way of addressing Palestinian trade and employment problems.

The GIE project at Karni, was launched on December 14, 1998, and is seen as the PA's first export-oriented industrial zone. It has been designed to mitigate the damaging impact of closure by generating employment and allowing unimpeded exports. The GIE is one of the few ventures that the Israeli government supports because it will improve Israel's image while allowing the closure to remain intact.

The GIE is estimated to cost $84.5 million and is financed by the World Bank, the European Investment Bank, the International Finance Corporation and the Palestine Development and Investment Company. Although the GIE has the potential for creating 17,500 direct and 35,000 indirect jobs,[125] few donors believe these figures are attainable.[126] In fact, it would take years for the GIE to attract the amount of foreign investment needed to generate over 50,000 jobs. Thus, whatever benefits may occur will be deferred. Planners are hoping that investors will be attracted by low Palestinian wages, although wages are cheaper in both Egypt and Jordan, where Israelis already invest.

The GIE also aims to attract labor-intensive industries, even though water is scarce.[127] In fact, on a visit to the GIE in August 1999, I observed desalination facilities. Considering that the majority of men, women, and children in the Gaza Strip are forced to consume sub-standard water, it is striking that some official body—the PA, the United States, or the European Union—had accepted to finance the high costs of desalinating water for this small industrial zone of uncertain economic benefit. By June 2000, the project housed only 22 businesses—some of which were joint Israeli-Palestinian ventures—with a total of 1,200 employees.[128]

Because of closure, the GIE allows for the "free" movement of export goods but does not allow for the free movement of all other goods or people between Gaza and the West Bank. How then will imports through Israel reach the GIE without facing the delays and security checks to which they are currently subject? In point of fact, the GIE is not wholly immune to closure restrictions and cumbersome security arrangements. Indeed, "after the 1993 Oslo Agreement was signed, Palestinians working in the Erez Industrial Zone were required, for the first time, to obtain work permits from the Israeli authorities even though the zone lies completely within the borders of the Gaza Strip."[129] The Israeli government's announcement in summer 2000—seven years after the Oslo Agreement was signed—that it will ease security restrictions for Palestinian imports and exports may help to reduce shipping costs for GIE firms and attract more companies there.[130]

Industrial estates in the Palestinian economic context are problematic for a number of reasons.[131] Industrial estates typically are designed as a short-term measure to attract foreign investment and strengthen the private sector in an underdeveloped investment environment. Such zones "establish a separate (often geographically) regime outside the regular legal and economic framework . . . [and operate] with policies and institutions that are insulated

from, and more favorable to investment, particularly foreign investment, than those of the regular investment regime."[132]

In the Palestinian context, industrial estates aim to encourage largely Israeli investment in a weak regulatory and legal environment that suffers from the highly constrained movement of labor and goods. According to the World Bank, certain factors are essential for the success of industrial zones (few of which exist in the West Bank and Gaza): political and social stability, macroeconomic policies, infrastructure, legal and regulatory frameworks and institutions, and access to foreign markets.[133] Furthermore, "no matter how attractive a country's economic opportunities, it will always be difficult to stimulate investment in the face of unstable political and social conditions . . . Failures have occurred when non-economic criteria [are] used."[134]

Industrial zones and industrial development are not necessarily synonymous. The possibility of generating over 50,000 jobs in Gaza is crucial to the short-term alleviation of poverty. However, industrial zones hold little promise for Palestinian industrial and economic development because they will consist mainly of Israeli export concerns employing cheap Arab labor and engaged in product design, marketing, and quality control. In fact, Israeli newspapers have been advertising the cheap labor costs available at Karni. Although industrial estates will create some backward linkages to the local economy such as consumer spending, they will not provide domestic industry with the capital, technology transfer, free market access, investment environment, or appropriately trained workers upon which its own development depends.

Arguably, industrial estates could prove harmful to local industry because they provide a competitive problem for those Palestinian businessmen who do not use them. Because they remain subject to the constraints of closure, industrial estates further impinge on sectoral reform. Moreover, by allowing a certain amount of unrestricted trade to occur, industrial zones will legitimize and solidify the border closure as an economic policy measure.

Income

Up until 1998, the Palestinian economy was unable to register any positive growth (subsequent economic improvements and their significance are discussed below). The decline in employment and trade led to reduced income and consumption by Palestinians with a resulting dramatic increase in poverty. The rise in poverty and the decline in living standards are not surprising given that 60 percent of workers are wage earners and the majority of Palestinians depend on wage labor for survival. The bottom line is that the Palestinian economy cannot sustain the Palestinian people.

Palestinian economic decline is reflected in GNP, which refers to domestic output and income earned abroad, especially in Israel. Between the end of 1992 and the end of 1996, real GNP in the Gaza Strip and West Bank fell 18.4 percent, primarily from the loss of employment in Israel and reduced trade flows that resulted from closure.[135] Real GDP, which refers to the level of eco-

nomic activity inside the Occupied Territories alone, increased by 4.4 percent during this period due to heightened activity in the construction sector and public sector expenditure.[136] Critically, the rise in GDP did not result from heightened output in the economy's productive sectors, industry and agriculture. The difference between GNP and GDP reflects the crucial role of Israeli remittance income in the Palestinian economy.

Perhaps most striking are the declines in real per capita GDP and GNP, which are measures of income generated per person and indicators of living standards. Between 1993 and 1995, real per capita GDP declined by 14.2 percent overall from $1,537 to $1,319. The decline in real per capita GDP was far greater in the West Bank (19.7 percent) than in the Gaza Strip (8.4 percent).[137] In 1997, furthermore, real per capita GDP fell by an additional 4-5 percent.[138] Similarly, real per capita GNP declined by 37.0 percent in the West Bank and Gaza, falling from $2,700 in 1992 to $1700 in 1996. By 1998, real per capita GNP stood $1,630.[139]

High population growth rates, which must be factored into per capita calculations, exceed six percent in the West Bank and Gaza, and exacerbate the effect of a declining GNP on living conditions.[140] In order to raise real per capita income, the GNP growth rate would have to be greater than the population growth rate of 6 percent. In 1996, however, the GNP of the Occupied Territories declined by 3 percent.[141]

The family and the household have suffered greatly from the closure, coming as it did upon the economic dislocations of the intifada and the Gulf war. The precipitous decline in the standard of living is illustrated by a number of indicators. One is the decline in per capita consumption expenditure, which measures reductions in incomes. During the October 1995–September 1996 period, for which data are available, the average per capita consumption expenditure in the West Bank and Gaza Strip stood at $1,431. This represented a 15 percent decline from the 1992–1993 period, and the lowest level for any year since 1980.[142] By 1998, this indicator had declined an additional 15 percent.[143] It is important to point out that the decline in consumption expenditure would have been far greater without the economic assistance provided by the donor governments between 1993 and 1996.[144]

Similarly, between the end of 1995 and the first half of 1997, the real average monthly wage income for a worker in the West Bank and Gaza Strip fell from $411 to $342, a reduction of 17.0 percent.[145] This decline resulted from fewer days worked due to closure (and repeated total closures) and lower daily wages. Between 1992 and 1994, real wage rates declined 38 percent and between the end of 1995 and end of 1997, they fell an additional 15 percent.[146] Moreover, the continuous rise in consumer prices weakened the purchasing power of wage income. During 1996, for example, the average worker's monthly income could cover 62.7 percent of basic needs and 57.4 percent of all expenditures. By early 1997, wage sufficiency fell dramatically and was only able to cover 46.4 percent of basic needs and 41.4 percent of total expenditures.[147]

Between 1996 and 1997, there was a slight decrease in the number of Palestinian poor living below the poverty line—defined as a household with two adults and four children having a yearly consumption of less than $2 per day and thus unable to "afford a basic basket of goods consisting of food, clothing and housing, as well as the minimum of other needs, such as health care, transportation and education."[148] The number of poor declined from 23.6 percent of the population (677,200 people) to 22.5 percent (658,000). Nevertheless, in 1997, almost one-quarter of the total Palestinian population lived in poverty.[149] Of the total impoverished, almost 60 percent were in the Gaza Strip, where they comprised about one-third of Gaza's total population.[150]

The first comprehensive post-Oslo report on poverty in the Gaza Strip and West Bank, published in 1998 by the National Commission for Poverty Eradication, produced the following details: 1) 51 percent of all households in the southern Gaza Strip live in poverty, compared to 31 percent in the northern Strip and 39.5 percent in the middle regions; 2) in the West Bank, the incidence of poverty reached 18 percent in villages, 14 percent in refugee camps, and 11.5 percent in cities; 3) in the more impoverished Gaza Strip, poverty rates were 41 percent in villages, 42 percent in refugee camps, and 34 percent in cities; and 4) two out of three poor families in Gaza live in a state of absolute or deep poverty, which means they are unable to meet their basic needs of food, housing, and clothing.[151] There is no known precedent for these poverty indicators in the Gaza Strip and West Bank during the last thirty years.

The Palestinian family responded to economic distress in several ways. One was an increase in child labor, a growing phenomenon that has continued unabated and has become painfully visible in the post-Oslo period. In 1996, approximately 18,500 children (6.6 percent of the labor force), 12–16 years were working. A study conducted by *Defense for Children International* in 1997 found that 88 percent of child laborers worked full-time (35+ hours per week); 43 percent worked because of the urgent economic need of their families and over 70 percent of their wages went toward the maintenance of their households. In addition, less than one percent were on official employment contracts, only 1.4 percent were registered with the Labor Office, and over 78 percent said that their work had a negative impact on their education.[152] Children are more likely to work if their families are poor and if they see little value in attending school, factors which themselves are linked to poor job prospects. Furthermore, children who leave school to work are unlikely to return and complete their education.

Another household response to increased economic pressure, particularly falling real household income, declining aggregate income, and declining real wage income was reduced monthly expenditures on basic and secondary items. Average real monthly household expenditures declined from $801 during the first three quarters of 1996 to $754.5 during the first quarter of 1997, a 5.8 percent reduction.[153] Between the first quarter of 1997 and the first quarter of 1998, such expenditures declined another 10.6 percent, to $674.[154] Comparing the

first quarter of 1997 with the average for 1996, basic expenditures for a seven-person household in the West Bank and Gaza decreased 6.8 percent for housing, 9.3 percent for food, 13 percent for medical care, and 32 percent for education.[155]

What is even more revealing of falling living standards was the allocation of expenditures. Basic household expenditures absorbed three-quarters of monthly household purchases during the first quarter of 1997 compared with two-thirds of such purchases during the first three quarters of 1996.[156] That is, not only were people spending less but also a larger percentage of household income was going toward basic items such as food. By early 1996, for example, the average Gazan family was spending 60 percent of its monthly income on food, one percent on health, and three percent on education.[157] Between 1996 and 1998, the Palestinian Central Bureau of Statistics (PCBS) indicates that 66 percent of Palestinian consumption went toward food, clothing and housing. Of this, almost 60 percent went toward food alone.[158]

Although a greater percentage of household income was being spent on food, the consumption of certain more expensive kinds of foods declined, with clear nutritional implications. A 1996 survey of 300 households, which was conducted by the Swiss organization *Terre des Hommes*, found that egg consumption declined by 22 percent and red meat by 30 percent per household during total closures with an associated increase in the number of cases of rickets, a vitamin deficiency.[159] In May 1995, just one year after the signing of the Economic Protocol, 100 infants in Gaza City and Jabalya refugee camp were diagnosed with marasmus, a severe form of malnutrition; in 1996, according to the World Bank, one out of six children under five years of age in Gaza suffered from malnourishment.[160]

Another common response to economic distress was rising household debt. Individuals and families were using credit (usually obtained from relatives and shopkeepers) and incurring rising debt in order to buy food. According to the *Terre des Hommes* survey cited above, the number of households in debt (because of borrowing) had risen from 28 percent before the spring 1996 total closure to 56 percent during the closure. Not only did the number of indebted households increase but also the average debt of these households increased by 19 percent during the closure compared to the period before.[161]

Other responses included the depletion of savings and the sale of gold jewelry and other possessions for the purpose of maintaining family consumption levels. Again, during the spring 1996 total closure, approximately 30 percent of Gaza Strip households were forced to use savings or sell jewelry in order to finance food and other purchases.[162] This sort of behavior, however, was not restricted to the poor alone. I personally witnessed well-dressed, middle class women in Gaza selling gold jewelry for immediate cash, and in one incident asking a local notable for 120 shekels ($40 at the time) to buy six kilos of flour.[163]

The extreme poor sought relief—cash or food aid—in growing numbers from two main providers, the United Nations Relief and Works Agency (UNRWA) and the Palestinian Ministry of Social Affairs, in addition to the World Food Programme, certain nongovernmental organizations (NGOs) and Islamic charities. In 1997, these agencies supported eight percent of the population (approximately 200,000 people) who otherwise would have been destitute.[164] Moreover, although the Ministry increased its assistance, the real value of this assistance was eroded by inflation, which by 1997 was less than half its real value in 1987 before the intifada. Hence, the aid provided had less purchasing power. The very poor also rely on an informal network of friends and relatives that is very limited in scope.[165]

The growing impoverishment of the population has become indelibly marked on the streets of Gaza and the West Bank in a manner not before known. Beggars can be seen everywhere and are usually women. Typically, they stand on streets or go house-to-house asking for money. In Gaza, it is now quite common to see groups of women and children going from one institution to another seeking cash or food. A local industry of sorts has also emerged around garbage piles. Children and adults, who are known as *al-Zabalin* ("the trash people"), are hired for a very low flat fee to sift out of the garbage reusable materials, which a middleman then sells for a profit.[166]

The closure has resulted in other realities with particular consequences for health and education. In the health sector, for example, there have been numerous cases of medical personnel and patients being denied access to and from the West Bank and Gaza Strip to give and receive medical care. Closure has had a pronounced impact on hospital services outside the West Bank and Gaza. Al Muqassad Hospital in Jerusalem, the primary tertiary medical center in the areas, has had to function for protracted periods of time at 40 percent of its normal capacity because its West Bank staff could not get to work. Another health impact of closure has been a slowdown in immunization programs. Increasing economic hardship also has resulted in decreased use of primary health care facilities.[167]

The education sector has suffered under closure as well. Approximately 33,000 students and 15,000 teachers at one time or another have been denied access to educational institutions because of total and internal closures.[168] Because of closure, the number of Gazans attending university in the West Bank has declined by at least 50 percent since 1994.

Economic Improvement in a Context of Closure: Meaning and Significance

Despite the economic retrenchment and economic depression of the post-Oslo period, the West Bank and Gaza have experienced some areas of relative improvement. Most notably has been the expansion of the housing and construction sectors, particularly in the 1994–96 period,[169] and a dramatic increase

in the number of registered Palestinian firms from 6,591 for the period 1980–90 to 8,470 between 1994 and 1995 alone.[170] In 1997, there was a 14.7 percent increase in the number of new company registrations[171] followed by a 35 percent rise in the first half of 1999 compared to the first half of 1998.[172]

Economic improvement typically has occurred during the absence of total closures and the relaxation of Israeli restrictions on the movement of labor and trade. It is measured by rising GDP and GNP levels, small increases in employment levels, reductions in underemployment, stabilization in the number of unemployed persons, and higher volumes of trade. In 1998, for example, the economy experienced a 4.1 percent growth rate, which was followed in 1999 by an impressive rise in real GDP and GNP growth of 6 and 7 percent respectively. Per capita GDP reached $1,575 (an increase of 1.7 percent over 1998 rates and approaching 1993 levels) while per capita GNP was $1,940 (2.6 percent above 1998 levels but still well below pre-Oslo levels).[173] Total employment grew by 9.3 percent with full employment rising from 77.8 percent to 81.7 percent. Hence, the standard unemployment rate declined from an average of 15.6 percent in 1998 to 12.7 percent in 1999 (10.1 percent in the West Bank and 18.8 percent in the Gaza Strip). However, the unemployment rate still was much higher than the 1992 level of 3 percent.[174] Furthermore, the adjusted unemployment rate for 1999, which is defined more broadly and includes discouraged workers, stood at 19.7 percent in the West Bank and 27.3 percent in the Gaza Strip.[175]

In 1999, there were approximately 140,000 Palestinians working in Israel[176] (approximately 25 percent of the total Palestinian labor force). According to one Israeli source, 60,000 of these Palestinian workers—about one-half of the total—lacked formal work permits.[177] Of those employed in Israel, approximately 110,000 were from the West Bank and 30,000 from the Gaza Strip, a new, post-Oslo reality wholly shaped by Israeli policies aimed at integrating the West Bank and isolating the Gaza Strip.[178] It is significant that the number of Gazans working in Israel has remained largely unchanged since 1993 and never has reached the pre-Oslo employment levels.

The United Nations estimates that on average in 1999 there were 47,000 more employed Palestinians in comparison with the previous year. Of this total, 16,200 Palestinians were working in Israel, which accounted for 34.4 per cent of all new jobs. By contrast, 65.6 percent of all new employment growth was generated in the Palestinian domestic economy,[179] largely in the private sector—services, agriculture, and construction—and the public sector, which employed 95,000 people in mid-1999.[180] By March 2000, public sector employment had risen to 107,000 and represented 25 percent of total domestic employment. By the end of 2000, PA employment is expected to increase to over 112,500.[181]

In 1999, the monthly wage for a fully employed worker averaged $340, close to where what it was in 1997 but representing an increase of 4.2 percent from the year before. More significant, however, is the advantaged position of

West Bank workers relative to their Gazan counterparts, again underscoring Israeli policy objectives:

> The main factor in the general increase in real wages was the estimated 8 percent increase in daily wages for West Bank workers. The better wage performance in the West Bank labor market is due to the significant level of unpermitted labor flow from the West Bank to Israel which has led to considerably reduced unemployment there. Higher labor flow to Israel has also produced secondary employment effects due to higher consumer spending from higher wages in Israel. The combination of these effects has tended to raise real daily wage rates in the West Bank more rapidly than in Gaza where this phenomenon is less pronounced . . .
>
> One result of the different dynamics in the regional labor markets was an increase in the disparity in daily wages as between the West Bank and Gaza. In 1999, West Bank daily wage rates were an average of 28 percent higher than those in Gaza compared to a 23.9 percent difference in 1998 . . . The differential between the West Bank and Israel declined from 72.4 percent to 60.7 percent while the gap between Gaza and Israel declined from 113.8 percent to 105.4 percent. Thus relative geographical isolation, and differences in access to the Israeli labor market, remain sources of lower wages and higher poverty rates in Gaza.[182]

Despite the improvements described, the economy demonstrated stagnation in those areas crucial for economic development: exports and private investment. The value of registered Palestinian exports to Israel, Palestine's main export market, declined in real terms in 1999.[183] However, Israeli exports to the West Bank and Gaza increased. Not surprisingly, the Palestinian trade deficit with Israel grew to an estimated $620 million during the first half of 1999.[184] According to the United Nations, "[h]igher transaction costs, border and mobility restrictions, limited access to foreign markets, as well as low levels of investment in increasing productive capacity continue to hinder Palestinian export development."[185]

Private investment similarly experienced declines. The value of approved investment projects declined in both the West Bank and Gaza in 1999.[186] That is, although the number of newly registered businesses in the domestic economy rose by 35 percent as stated above, the majority of them were private partnerships with small amounts of capital investment.[187] In fact, the significant increase in the value of large-scale investments was due primarily to one large electricity plant in Gaza. During the first half of 1999, there was only one new public company and only one foreign company registered in the Occupied Territories.[188]

Data from the first quarter of 2000 indicate a decline in the rate of economic growth relative to the first quarter of 1999. This was due to a decline in the average number of permitted Palestinian workers in Israel and to the imposition of new Israeli restrictions on Palestinian commercial transactions, which, in part, reduced the level of exports. In March 2000, the Israeli government

terminated the truck convoy system, which allowed Gazan vehicles carrying Palestinian exports and imports to pass through the Erez border in the northern Gaza Strip, into Israeli territory under military escort. Since March, all commercial transactions and passage of goods have occurred at the Karni border crossing in the east of the Gaza Strip where no Palestinian vehicle is allowed to pass into Israel. Instead, *all* Palestinian vehicles must now unload their product (exports), which after a lengthy security check, is then reloaded onto Israeli vehicles for transport into Israel. Israeli products (imports) entering Gaza through Karni do not undergo security checks—an economic advantage to the Israeli producer—but must be loaded off Israeli vehicles onto Palestinian ones.

The termination of the convoy system, itself encumbered and costly, to the "back-to-back" system at Karni dramatically increased transaction costs for Palestinian businessmen. The costs of doing business at the Karni crossing are much higher than at Erez since they involve the cost of transferring goods in Israeli vehicles, entry fees at Karni, and the cost of transferring goods from Karni to their destinations in Gaza. In addition, there are the costs associated with damaged goods resulting from hand or machine inspections, and the damage resulting from spoilage of perishable items due to transportation delays or deliberate sabotage by Israeli officials.

I visited Karni in August 1999 and witnessed the extremely protracted "back-to-back" system. I saw Israeli custom officials park a truckload of Palestinian fruit, destined for Israel, directly in the sun when shaded areas were available. Israeli exports (perishable and non-perishable) into Gaza passed through Karni very quickly and clearly were given preferential treatment. The unfairness of the situation was striking but so, too, was the virtual powerlessness of PA representatives, let alone businessmen, to do anything about it. The chief official in charge of Karni on the Palestinian side, clearly angry and frustrated over the incident involving the fruit truck, said, almost desperately, "This is our peace and our end."[189]

According to the Palestinian Ministry of Economy and Trade, conducting business through Karni will increase the costs of Palestinian imports and exports (when added to the price of those goods) from 100 to 120 percent depending upon the product (with an additional 5 percent due to damage).[190] For example, the cost of cement imports is expected to increase about 116 percent, from 800 shekels ($200) per (Palestinian) truck at Erez to 1,730 shekels ($433) per (Israeli) truck at Karni.[191] Consequently, the price of certain products such as cement will be higher in Gaza than in Israel. Moreover, importing cement from abroad will be even more costly than purchasing it from Israel, forcing Palestinians to buy from Israel alone. Also, the value of imports (the level of trade) through Erez typically has been twice the value of imports through Karni.[192] If all trade is redirected to Karni with its relatively limited absorption capacity, then the Palestinian economy stands to incur even greater costs due to heightened delays, damage, and other operating costs.

Hence, it is not surprising that even with certain economic improvements, 20.3 percent of the population (or 611,200 people) still lived below the poverty level in 1998. A study conducted by the PCBS in 1999 found that 25 percent of all children in the West Bank and Gaza were living in poverty.[193] The PCBS also found that 73.6 percent of working children under 18 years of age were not enrolled in school, and 73.4 percent of them worked over 35 hours per week in 1999.[194] Furthermore, because children under 18 constitute slightly more than 53 percent of the total Palestinian population of 3.2 million, the long-term social and economic ramifications are staggering.

Any discussion of poverty also must include those people living near or just above the poverty line (for which I could not find current figures), or what the World Bank refers to as "the perception of relative poverty." This is defined as the "magnitude of people living for less than what is considered adequate given the level of average incomes."[195] Undoubtedly, the number of people living in relative poverty is extremely high, raising the total number of poor dramatically. In Gaza, both categories undoubtedly would incorporate the majority of the population.

Economic improvements in the current context of the West Bank and Gaza demonstrate that positive change does not emanate from the structural dynamics of the Palestinian economy itself or from the rationale principles of the market but is shaped largely if not wholly by Israeli policy. The growth and decline in unemployment rates and trade values, for example, are a function of Palestinian access to the Israeli market, which remains a critical source of employment and income for the very dependent Palestinian economy.[196] As such, economic growth, when it does occur, is not sustainable nor is the economy better positioned to cope with external shocks.

Furthermore, the domestic growth that has taken place has been based on activities that are largely non-productive such as construction, public consumption, services, and donor aid. In this regard, positive economic change is, by nature, temporary and tenuous and easily reversed as fluctuations in unemployment rates clearly demonstrate. Positive change, therefore, is the exception rather than the rule, suggesting in turn that the ultimate solution is not economic but political.

The insignificance of Palestinian economic improvement appears even more striking when compared to the economic benefits that have accrued to the Israeli economy since (and as a result of) the Oslo process. The gains were striking in the period prior to the installation of the Netanyahu government in 1996. The Oslo process has produced considerable benefits for the Israeli economy that derive primarily from two sources: reduced defense expenditures and an improved business environment. Among other contributing but comparatively less important factors are greater regional trade and the relaxation of the Arab boycott.[197] In fact, the argument has been made that a critical reason motivating Israel to enter into political negotiations with the PLO in 1993 was economic. However, the importance of regional trade for Israel

has been exaggerated, considering that the region's overall economy is only about as large as Canada's. Israeli exports are largely high tech and military. Israel sells to markets where the GNP per capita is 50 percent higher than its own (i.e., the United States and Europe) and has little to offer Arab markets where the GNP per capita is much lower than its own. There has been some trade at the micro level but it is limited.

In the 20 years since the peace with Egypt was ratified, Israel dramatically has reduced its defense burden from 18 percent to 8 percent of GDP. As a result, resources have been reallocated from military to civilian uses resulting in increased private consumption and reduced taxes.[198] However, the most important factor contributing to Israel's impressive economic performance since 1993 is an improved business environment that emerged from the perception of greater political stability in the region and the weakening Arab boycott. This in turn led to Israel's improved creditworthiness (i.e., reduced country risk premium) and increased foreign investments.

Prior to the Oslo agreements, the Israeli economy only could attract $300–$400 million annually in direct foreign investment.[199] Since Oslo, Israel has seen foreign investments by Proctor & Gamble, Unilever, Intel, Mitsubishi, Motorola, General Dynamics, Volkswagen, Volvo, McDonald's and Citibank. In 1995, Shamrock Holdings Inc. acquired a 22.5 percent controlling interest in Koor, Israel's largest industrial conglomerate, for $256 million, which represented the largest foreign investment ever made in the Israeli economy at that time.[200] Private capital inflows to Israel equaled $6.5 billion in 1995 alone.[201] Although such investments declined with increased political tensions and the installation of the right-wing Likud government in 1996, overall levels were still high relative to the pre-1993 period. By 1998, for example, foreign investment in Israel reached $2.6 billion and in 1999, grew to $3.7 billion.[202]

Commenting on the post-Oslo changes, Benny Gaon, the president and chief executive officer of Koor stated, "Peace with the Palestinians has enabled Israeli companies to move farther afield. Israel used to be out-of-bounds for the Japanese because they feared the [Arab] boycott . . . So maybe we can't expect huge revenues overnight from deals with Egypt, Morocco, Jordan, the Palestinians. But who cares, if we can do business with the big guys like China, Indonesia, and Japan."[203] Indeed, during the post-Oslo period, trade with Asia has increased dramatically: one-third of Israeli exports now are sent to Southeast Asia, and Israeli exports to South Korea have increased by 50 percent. Israel also established trade relations with China after 1993, and this trade is worth billions of dollars annually.[204] By contrast, Sino-Palestinian trade was valued at only $30 million in 1999.[205] Furthermore, this trade has been accompanied by the flooding of Gazan markets with cheaper Chinese goods, placing unprotected Palestinian goods at a great price disadvantage.[206]

The breaking of the Arab economic boycott, a direct outcome of the Oslo process, proved lucrative to the Israeli economy as well, given that the boycott cost Israel at least $70 billion.[207] Other indicators of Israeli economic growth

are similarly strong. Between 1990 and 1995, for example, GDP grew at an average annual rate of 5.8 percent, while yearly inflation dropped to 5.1 percent.[208] Israel's unemployment rate fell from 11 percent to less than 6 percent between 1992 and 1995 respectively; and the number of employed rose from 1.6 million in 1990 to 2.1 million in 1995.[209]

The Economic Role of the Palestinian Authority

While Israeli policy has remained the primary determinant of Palestinian economic life since 1993, the PA also has had a marked role, both positive and negative. That the PA has a difficult and Sisyphian task before it is undeniable. Limited resources and a host of political, economic, and social constraints, notably closure and the restrictive measures that attend it, make the challenge of economic development a formidable one. Any examination of the PA's role must look at the ways in which the government has strengthened or weakened the possibility of economic reform, and in particular, the degree to which it is committed to improving the capacity of the private sector to operate efficiently and promote free competition. The PA's role centers on three areas: institutional development and management, economic legislation, and trading practices.

Since 1994, the PA has established certain institutions of governance—ministries, courts, and the Legislative Council. It also has had some notable achievements in the area of fiscal institution building.[210] For example, the banking sector (licensing, supervision, regulation) expanded from 2 banks with 13 branches holding $219 million in 1993 to 22 banks with 102 branches holding $2.2 billion in 1998 (or 60 percent of GDP).[211] Yet, bank lending was only 21 percent of GDP in 1998 (an increase from 3 percent of GDP in 1994), which means the majority of credit for investment was being channeled outside of Palestine. Indeed, about two-thirds of deposits are held as foreign assets.[212]

With regard to the management and administration of revenues, the PA has had success in developing a tax administration system. In January 1998, a tax court was established, which institutionalized a long-awaited appeals process. In the spring of 1998, the final draft of an (investor-friendly) Income Tax Law was prepared that aimed to stimulate economic activity and reduce the tax burden by introducing significant reductions in tax rates without significantly reducing total revenues.[213] The Legislative Council also approved the Encouragement of Investment Law that not only strengthens fiscal incentives but also streamlines approval procedures and facilitates investments by the private sector.

On the expenditure management side, the PA has succeeded in implementing certain public finance reforms that were announced at the international donors meeting in December 1996 in Brussels. By January 1998, most clearance revenues (e.g., VAT, import and income taxes) were being channeled directly to an account under the control of the Ministry of Finance, attempting to

address, at least in part, the problematic issue of transparency and accountability. A unit also was established within the Finance Ministry to monitor capital spending of PA ministries and other government agencies.[214]

In December 1997, the PA announced its three-year (1998–2000) Palestinian Development Plan (PDP), which proposed $3.5 billion in development projects. The PDP is partially an attempt by the PA to address the lack of economic policy and planning at the political level. It emphasizes projects in the following areas: infrastructure development and natural resources development, institutional capacity building, human resources and social development, productive sector development (agriculture, industry, tourism, private sector), rural development, refugee development, and NGOs.[215] However, as constructed, the PDP is not a plan but rather a list of projects with no integrative framework, an enormous impediment to implementation.

Despite its achievements, the PA also has played a damaging role with regard to economic growth and reform, and its economic behavior to date indicates certain injurious patterns. For example, the PA has demonstrated a weak commitment to institution-building generally, and to economic institution-building specifically. Characteristic PA practices that do not bode well for long-term growth prospects include (among others) low professional standards, the centralization of authority in the person of Arafat, the proliferation of political appointees to professional positions, the proliferation of positions within ministerial departments, the institutionalization of a patronage system, the infiltration of institutions by the secret services, and governmental hostility toward the Palestinian NGO sector.[216]

The above patterns suggest two problems. One problem is the PA's increasing authoritarianism, repression, and disdain for the law and for human and civil rights. One clear example of this is the executive's consistent disregard of the legislature and its rulings, as seen in Arafat's consistent refusal to sign the Basic Law, which was passed by the Legislative Council in 1998 and would give Palestinians a working constitution. Furthermore, although the authorities have introduced some needed legislative changes regarding the economy, private sector development remains depressed by "the lack of a strong and transparent legal and regulatory system."[217]

Another problem is the mismanagement of the public sector. The rapid expansion of public employment described above, particularly among the police and security forces, and the politicized manner of this growth, bode ill for economic reform for two key reasons. First, this expansion occurs in unproductive areas. Public wages account for 14 percent of GDP, which is more than twice the average for developing countries. In 1998, the wage bill neared $470 million or close to 55 percent of current expenditure. This is high by international standards, especially compared with Israel at 15 percent and Jordan at 20 percent.[218] In 2000, the PA acknowledged that the public payroll is expected to consume 60 percent of the $1 billion dollar budget.[219]

Most studies of growth argue for relatively small government employment, merit-based recruitment, and a technocracy that is insulated from political pressure.[220] None of these factors prevail within the PA. Second, high levels of government consumption in unproductive activities erode national savings, depress investment, and obstruct growth. Poor recruitment standards and strong state intervention in the market lead to further inefficiency and corruption.[221]

The PA also has contributed directly to extant economic pressures through the creation of government-dominated monopolies in major trading sectors. These are controlled personally by individuals high in the PA bureaucracy, and they work in collaboration with Israeli suppliers. At one time, the PA had established at least 13 and, according to the U.S. State Department, as many as 25 monopolies in the Gaza Strip over the import of such commodities as flour, sugar, oil, frozen meats, cigarettes, live animals, cement, aggregate, steel, wood, tobacco and petroleum. In 1998-1999, some monopolies such as tobacco allegedly were disbanded. However, the PA continues to grant such rights for various commodity imports, and has allowed sole agency requirements for other imports. In 2000, the PA awarded long-term monopolies on various utilities.[222]

Monopolistic practices are market-hostile, hinder free competition, have resulted in price-fixing, and artificially have inflated prices, particularly for basic food commodities. Not only has price fixing made it even more difficult for people to meet their essential needs, it also at times has temporarily transformed a basic commodity into a luxury item. For example, between the summer of 1995 and the summer of 1996, the price of a six-kilogram sack of flour rose from NIS 45 to NIS 120; the largest increase—from NIS 70 to NIS 120—occurred during the last four months of this period and was directly attributable to the flour monopoly.[223] Subsequently, in 1997, there was an attempt by some Palestinian officials, reportedly put down by Chairman Arafat himself, to establish a monopoly over the acquisition of work permits by Palestinian laborers.

Proponents of these quasi-public/quasi-private sector monopolies argue that they are only temporary and their purpose is to help finance recurrent costs and reduce PA dependency on donor aid.[224] According to official U.S. sources, however, the PA monopolies generate anywhere between $100–$400 million per year. This revenue effectively amounts to an income transfer from poorer economic groups to a new economic (and political) class that uses these profits to help subsidize the PA bureaucracy and, by all accounts, for personal gain as well.

This new economic class emerged after the installation of the PA, and it possesses real political power. This elite and the constituencies that have emerged around it benefit from the status quo and therefore from maintaining it.[225] They exercise tight control over foreign investment and control protected areas of the economy in alliance with specific private sector interests and with external actors, namely former Israeli military or security officials who

previously worked in the Gaza Strip and West Bank. For example, Dor Energy, "the Israeli company that supplies the PA petrol monopoly run by Jibril Rajub's Preventive Security Force, employs Shmuel Goren, formerly a division head in Shabak [the Israeli FBI]."[226] The former Shin Bet chief, Yossi Ginosar, also was hired by Dor Energy to obtain exclusive rights to energy sources from the PA and by the Israeli cement concern, Nesher, to obtain similar rights in cement production.[227]

This heavy-handed state presence in the market and the public-private mix of economic actors and economic policies precludes fair and free competition, strengthens rent-seeking behavior, and also appeases influential members of the private sector. This situation in turn creates an environment that is insecure, unregulated, unaccountable, and without a level playing field, the legislative and institutional achievements described above notwithstanding. Foreign investment remains constrained and private sector growth restricted.[228]

The PA also has been accused of widespread corruption. In May 1997, the General Audit Authority, which is subject to Arafat's control, issued a report that estimated mismanaged funds at $324 million or 37.5 percent of the PA's annual budget.[229] "Although the report's conclusions and estimates are open to legitimate questions, the anecdotal and other evidence contained in the report is a condemnation not only of the loose expenditure practices of many of the ministries and agencies of the Authority, but of the manner by which the President himself seemed to encourage such behavior."[230]

According to the Economic Protocol, Israel agreed to transfer to the PA a variety of levied funds including custom duties, excise taxes, value-added taxes, and revenues from taxes on Palestinian workers.[231] In 1999, it was revealed that Israel had been transferring some of these funds directly into Arafat's private account with Bank Leumi in Tel Aviv. Furthermore, soon after the Palestinian Minister of Finance, Muhammad Nashashibi, asked Israel to transfer all levied monies into a single Palestinian account (under the control of the Finance Ministry), he was assaulted physically by members of the Preventive Security Force under the control of Muhammed Dahlan, a powerful PA figure. Dahlan's organization is one of beneficiaries of the funds transferred to secret bank accounts under the control of Arafat.[232] However, the PA reports that as of late April 2000, "all revenue collected by the Government of Israel on behalf of the PA is transferred directly to the Ministry of Finance, thus ending the practice of revenue diversion."[233]

In 2000, the PA, under pressure from the donor community, published a report in which it divulged the existence of a multimillion dollar slush fund and the misallocation of $530 million that did not reach the Palestinian Treasury in 1998 and 1999. Although a certain percentage of these monies were used to cover the PA's operating expenses, the bulk was being diverted to the Palestinian Commercial Services Company (PCSC), which is wholly owned by the PA. In 1999, the PCSC had $345 million in assets, which included $292 million in equity holdings in 34 companies.

The largest holding (30 percent) was in the Oasis Casino in Jericho and valued at $60 million. The second largest (100 percent), valued at $50 million, was the state monopoly on cement. (This contradicts an official report issued by the government in 1998 indicating that "[a]s it regards import monopolies, a significant portion of cement imports is now being handled by the private sector.]"[234]) This was followed by $50 million (35 percent share) in Palcell, a telecommunications concern, and $32.2 million (8.0 percent share) in PalTel, the Palestinian telephone company. The PCSC also owns 100 percent ($14 million) of a local real estate company, a 47 percent share ($4.1 million) in the only domestic flour mill, which it acquired through coercive means, and a 45 percent share ($2 million) in the Bethlehem Convention Center. In 1999, the PCSC had a net profit of $77 million including $18 million from cement sales.[235] These figures stand in stunning contrast to the fact that a significant percentage of Palestinians cannot care for their families adequately.

The Role of Donor Aid

Since the implementation of the Oslo agreements, donors have pledged over $5 billion to the West Bank and Gaza Strip, committed over $4.5 billion, and disbursed over $2.7 billion.[236] Since 1993, the emphasis of donor aid has shifted relatively from budgetary and transitional support (e.g., PA bureaucracy, emergency relief, services) to infrastructure investment.

Donor assistance has been vital to sustaining the local economy, particularly under closure. Without doubt, donor monies have helped offset negative growth rates, declining per capita incomes and rising unemployment. Without foreign aid, the peace process would have ended a long time ago. Since 1998, these monies have played a critical role in raising annual GDP and GNP per capita growth rates by 1–2 percent and 6–7 percent respectively.[237] Yet, donor strategies have emphasized short-term improvement over longer-term socioeconomic (and political) reform in order to demonstrate immediate political progress (and thereby stabilize the peace process) and address urgent economic need.

In this regard, donor strategies throughout have attempted to mitigate the damaging effects of closure and other restrictive measures rather than eradicate those restrictions altogether. The result has confined the foreign aid/developmental initiative within narrow structural parameters. While there are examples of many viable projects, the question remains one of priority especially in a context of high unemployment, high and increasing poverty, inadequate health and education services, and eroding sectoral conditions, especially in the productive sectors.[238] Moreover, donor aid is diminishing as a resource, having decreased from 18 percent of Palestinian GDP in 1994 to 11 percent in 1999.[239] As long as the closure and its damaging effects continue, the declining impact of aid will diminish even more as the population grows, underscoring the need for real economic growth and the elimination of those policies precluding it.

Conclusion and Recommendations

An April 1998 report issued by one of Israel's security services responsible for economic ties with the Palestinians stated:

> . . . residential construction [in Gaza] is characterized by apartment towers for the rich, neighborhoods for security forces employees, and private construction in the agricultural sector. The development of the large refugee camps is frozen or has been suspended and the horrendously crowded conditions continue to deteriorate. The lack of any real economic initiative, either public or private, is glaringly noticeable, with the exception of initial work on the construction of an industrial zone in the Karni compound . . . The area can be expected to remain impoverished and draw Palestinians from the crowded Gaza Strip, with its crumbling infrastructure and worsening environmental hazards . . . The municipal landscapes of the towns in the area have markedly improved, and they are much cleaner; however, the situation must give rise to grave fears with regard to the future . . .[240]

Intended as a criticism of the PA and itself rather disingenuous given Israel's dominant role in Gaza's economic deterioration, the statement is nonetheless accurate and closure is the primary reason why. The Palestinian economy, already greatly weakened before the start of the Oslo process, declined markedly after 1993 despite tenuous improvements since 1998. That Israel remains central to determining the quality and character of Palestinian economic life is undeniable. That Israel continues to have a direct impact on the way people live in the Gaza Strip and West Bank is also undeniable, even though the PA has played an adverse economic role as well.

Under conditions of closure, the possibility of economic reform is dim. Closure and the restrictions that attend it push the Palestinian economy backward toward more traditional activities and production modes. Small economies that do not have free access to foreign markets usually stagnate.[241] What is at stake are not only basic economic fundamentals such as employment and income creation, but also the ability of people to provide for themselves and their children and to live normal decent lives.

Various features of the Palestinian economy have been discussed, many of them egregious and resulting directly from closure and the Oslo agreements themselves. Together they describe a process of growing "enclavisation," which precludes economic cohesion and the political unification upon which it is based. This "enclavisation," or cantonization, of the Palestinian economy is seen in the following five consequences of the Oslo process. First is the demographic (and psychological) separation of the West Bank and Gaza Strip. This separation also includes the division between the West Bank and its commercial heart, Jerusalem; the division between the northern and southern parts of the West Bank; the isolation of localities within the West Bank itself; and the waning economic ties between the Gaza Strip and Israel.

Second is the growing division within the labor market between those who are permanently unemployed and those who are not, as well as divisions between those who have economic mobility (i.e., Palestinian officials and other "elite" groups) and those who do not. Third is the dominance (and active promotion) of nonproductive over productive activities as a source of income and value. Fourth is the steady unlinking of Palestine's agricultural and industrial sectors, which is accompanied by the erosion of an agricultural-industrial base (and private sector) that is required for basic economic development. And fifth is the creation of protected areas of the economy through the establishment of monopolies and rent-seeking systems. The combined impact of these five factors means that not only is the economy plagued with greater and seemingly more intractable problems, but also it possess fewer resources to address them.

There are clear imperatives for the Occupied Territories. At the economic level, there is the desperate need to alleviate poverty, improve living conditions, and lay the foundations for long-term economic growth. In this regard, the creation of immediate and sustainable employment is crucial. In the short-term, increased employment only can occur in Israel. For the medium-term, employment (that decreases dependency on external resources) needs to be generated domestically, primarily through the development of the private sector, which is key but requires a stable and open trade regime. Real and practicable trade openings into Egypt, Jordan, and the rest of the world must be established; otherwise the Palestinian economy will remain a captive of Israel. Indeed, in an economy whose largest if not only resource is its educated labor force, exploiting the economies of scale that free access allows is perhaps the only road to sustainable economic development.

There has been considerable talk among the donor community, the PA, and Israel about *easing* the closure in order to facilitate the implementation of certain projects that would improve (but not transform) the economic situation. These projects include the Gaza airport, which, since its opening in November 1998, has been under the full control of Israeli security officials; and the construction of a seaport in the Gaza Strip, whose trade transactions will also be subject to Israeli control.

The issue of safe passage, implemented on October 25, 1999, between the Gaza Strip and Tarkumya in Hebron, has been held up as another important achievement of the peace process. Yet safe passage, which is fully controlled by Israel, "represents a substantial loss to Palestinians and their economy when compared to the comparatively freer and more open borders to which they had access before 1993."[242] Moreover, by the end of 1999, just two months after the safe passageway had been opened, over 5,000 Palestinians had been denied the use of it.[243]

Hence, the implementation of these measures will do little to alter the economy's greatest and fundamental structural problems, particularly in labor and trade. Arguably, the implementation of projects aimed *only* at improvement

over the short-term could preclude needed structural change over the long-term (the Gaza Industrial Estates project may be one example of this problem). For an economic (and political) strategy aimed primarily at improvement does little if anything to preclude continued expropriation, integration, and deinstitutionalization, the critical components of de-development.

Closure has brought into stark relief the fact that peace cannot be achieved without creating the necessary foundations for economic and social development. In the shorter-term, the Israeli government must eliminate closure as a policy measure and other economic restrictions. While this condition alone is insufficient for economic reform, it is absolutely necessary. The PA also must eliminate its harmful economic practices, engage in institutional and policy reform, and restrain the expansion of the public sector. Only the international community, particularly the United States and the European Union, can exert the kind of (economic) pressure required.

As long as closure and the restrictions attending it continue, it will not be possible to achieve sustainable economic growth let alone economic development or reform. Given that the Palestinian people have one of the highest growth rates in the world, it will not be possible even to improve living conditions appreciably or to stop the decline in those conditions that has been taking place since 1993.

At the social level, there is a desperate and urgent need to invest in people through training, education, and health (including mental health rehabilitation), areas currently receiving little attention from the PA and the donor community. In fact, the greatest single and most devastating loss facing the Palestinian economy and its society is the erosion of its educated workforce through declining levels of education and health, both of which are linked to a diminishing economic base.

Economic change in the West Bank and Gaza cannot occur without political change. Closure has underscored the fact that economic relations cannot be forced ahead of a political agreement. The "peace process" cannot—and will not—survive the economic status quo regardless of whether 9 percent or 90 percent of the West Bank is "returned" to Palestinian control. To reiterate what I stated above on p. 350, the main issue for the development of the Palestinian economy over the long-term will not be the "number of reforms implemented but the *terms* on which they are implemented. That is, will Gaza and the West Bank have free access to markets or will Israel continue to use market access to control Gaza and the West Bank?" A political solution that does not include a sovereign, independent Palestinian state fully in control of its economy and foreign policy will fail.

This postscript began with a description of Barak's approach to peace with the Palestinians: separation and cooperation. I will end with an analysis of Barak's second negotiating position: Israeli annexation of settlement blocs and an attempt to link dozens of settlements through loose "master plans":

> These blocs will contain by Barak's own admission some 80% of the West Bank settler population . . . Israel will control the entire central West Bank from Ariel in the northwest, Shilo in the north-center and the Jordan Valley in the northeast through "Greater Jerusalem" extending from Modi'in through Ma'aleh Adumim until the Jordan River, and including in the south the massive area of Efrat, the Etzion Bloc, Beitar Illit and down to Kiryat Arba. Even if the Palestinians get 85%–90% of the West Bank . . . they will have nothing but four Bantustans separated by Israeli settlements, highways, industrial parks and checkpoints—the northern West Bank enclave, the southern West Bank enclave, East Jerusalem and Gaza. In short, we are "here" and we are "there"—and we control the entirety.[244]

A peace that denies dignity as the Oslo peace does will not bring order. Continued injustice will bring greater instability. Tragically, there is a great deal of both in Gaza and the West Bank today.

Notes to Postscript:

1. This postscript is a revised and updated version of my paper, *The Palestinian Economy and the Oslo Process: Decline and Fragmentation*, which was published in 1998 as an Emirates Occasional Paper, Number 24, by The Emirates Center for Strategic Studies and Research, located in Abu Dhabi, United Arab Emirates. Permission to reprint parts of that paper is gratefully acknowledged.

2. Aluf Benn, "Trenches, obstacles to be built between Israel, PA," *Ha'aretz*, June 21, 2000.

3. Sara Roy, "De-Development Revisited: Palestinian Economy and Society Since Oslo," *Journal of Palestine Studies*, 28, no. 3 (Spring 1999): 64.

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61. Patricia Alonso-Gamo, Max Alier, Thomas Baunsgaard, and Ulric Erickson von Allmen, *West Bank and Gaza Strip: Economic Developments in the Five Years Since Oslo* (Washington: International Monetary Fund [IMF], 1999), p. 13.

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66. UNSCO (1996), p. 22; see also, The World Bank Group, *West Bank and Gaza Update*, A Quarterly Publication of the West Bank and Gaza Resident Mission, September 1997, p. 4.

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Afterword

The Wars on Gaza: A Reflection

As for the world, when you emerge, what will it have become?
—Arthur Rimbaud, *The Illuminations*[1]

When I completed the introduction to this third edition in August 2014, Gaza was once again shattered by what turned out to be the most devastating attack in its long and tormented history. Operation Protective Edge (OPE), launched on July 7, 2014, was the third major Israeli assault on Gaza in six years and by all accounts the most destructive in terms of both lives lost and infrastructure laid waste. By the time a cease-fire was declared on August 26, 2014, over 2,200 people had been killed, all but 73 of them Palestinians and the majority civilians.[2] According to the UN, more Palestinians were killed in 2014 than in any other year since the occupation began in 1967.[3] Approximately 20 percent of Gaza's territory is now reportedly damaged or destroyed—including the destruction wrought by Operation Cast Lead (OCL) in 2008 and Operation Pillar of Defense (OPD) in 2012, from which Gaza has not fully recovered.

In the 30 years that I have spent researching and writing about Gaza and her people, I can say without hesitation that I have never seen the kind of human, physical, and psychological destruction that I see there today. Nor is there any precedent for the extraordinarily dangerous situation in which Gaza has found itself since the 2014 operation—dangerous not only for Gazans but for Israelis as well. As French scholar Jean-Pierre Filiu has written, "If there is ever to be Israeli-Palestinian peace—with all other options having been exhausted—Gaza will be the foundation and the keystone."[4]

This is because without Gaza there can be no peace: the Strip has long been and remains the heart of Palestinian nationalism and resistance to Israeli occupation. As this book has endeavored to show, Israel's principal strategy from the

outset has been to prevent the establishment of a Palestinian state by dividing and separating Palestinians, isolating Gaza from the West Bank and turning it into a totally separate entity. Another crucial part of Israel's strategy was the annexation of large parts of the West Bank. But complete control over the West Bank—the obvious goal of the settlement enterprise and the separation barrier—cannot be achieved as long as Gaza remains a source of resistance and as long as the possibility of a unified Palestinian state exists. It was thus that the proximate cause—the trigger—of the summer 2014 war against Gaza was the formal announcement by Hamas and Fatah of their Palestinian unity government, which seemed to bring the possibility of such a state a step closer. In this regard, OPE was not about rocket fire, Israeli security, or Hamas. It was about completing the project of subduing and disabling Gaza that Israel had begun immediately upon occupying the territory, together with the West Bank, nearly 50 years ago.[5]

Operation Protective Edge, coming on top of two major military assaults in six years, appears to have delivered something close to a death blow to Gaza's economy and profoundly damaged its society. Ultimately, OPE seemed designed to set in motion what one colleague termed a "dynamic of disintegration."[6] That disintegration has taken a number of forms, some completely unprecedented.

With extensive damage to the civilian infrastructure, Gaza's society has been reduced to almost complete aid dependence. Economically, it has been radically leveled, with the virtual destruction of its middle class and the emergence of an unprecedentedly broad new class of "poor." Gaza's social fabric, already seriously weakened, especially since the hardships imposed by the blockade in 2006—which does not distinguish between civilians and militants—is now characterized by a new kind of frailty and disability; in some areas entire neighborhoods and their community life have been destroyed. Emigration is increasing, and hope for peace with Israel is being abandoned to a degree never seen before. In what follows, I shall focus on some of the unprecedented changes in the wake of Operation Protective Edge.[7]

A Dramatic Shift in Popular Attitudes

Everyone I have spoken to in Gaza during and since the latest onslaught has said the same thing: that this war has profoundly changed the way people think. Perhaps most significant is the sense of collective dread and desperation that permeates the Strip, more keenly felt in OPE's aftermath than ever before.

While the classic symptoms of post-traumatic disorders are pervasive, what drives people to despair and desperation, said a Gazan friend, is less the war they endured than the inhuman conditions left unchanged after the war. "The shared experience of loss and pain during the war," he told me, "acted to bring people together toward a common goal that was meant to bring about real change. But since the end of the hostilities, a new reality has set in. Nothing has changed after this great loss and sacrifice except a vastly expanded panorama of destruction."[8]

Psychologically, Gazans have never felt less safe and secure. Although they do not fear an immediate resumption of fighting, they have no doubt that the fighting will resume. Meanwhile, the breathing space between episodes of terror seems to get shorter and shorter. What people fear most is that the truce will end and that their lives will deteriorate even further. As of this writing (September 2015), the siege had not been appreciably eased. This is due both to Israeli and Egyptian policy, and to the cynical exploitation of Gaza's misery by both the Palestinian Authority (PA) and Hamas. Writing in October 2014, the *Economist* observed,

> For now, Israel and Egypt, led by the an anti-Islamist general, Abdel-Fattah al-Sisi, bar passage of even the limited supplies of building materials they allowed into Gaza before the war. Smuggling tunnels have been blocked. Highways funded by Qatar lie abandoned, half-finished. Thousands of caravans for the homeless lie piled high in Turkey, unable to get through the red tape. Four Paws, a British charity, negotiated to bring out three scrawny lions from a Gaza zoo, but not their keepers.[9]

A Gazan friend summed up the situation as follows: "Gaza is more devoid of hope than it has ever been in my experience here. [Gazans] are afraid of a war with Israel; they are afraid of internecine violence; they are afraid that that nothing will change. The main focus is day-to-day survival. The war has devastated conditions in Gaza, making a difficult life even more impossible. Although people expressed relief that they had survived, the relief was transient. For many, the task at hand is naked existence."[10] Speaking to a foreign journalist in July 2015, a 19-year-old from Gaza, said: "You come here just once, but we know each other, and we know how deeply we have changed. How we have given up. Because we see no future whatsoever. You spend your nights in the four cafes on the beach and you write that Gaza is vibrant and full of life. Here there's no life. We are empty shells. Your readers don't like sad stories, but not to ruin your readers' dinner, you keep silent, while we starve."[11]

Another striking point made to me by friends and colleagues in Gaza is that they now believe Israeli officials when they say that there are "no civilians in Gaza." Gazans were all the more shocked by the nature and extent of the destruction because they could see no justification for it. And if indeed Gaza's people are no longer seen as civilians, what future can Gaza hold for them? Where is the possibility for peace? In the words of a colleague living in Gaza,

> What has also struck me is the extent to which the war has created a different picture of Israel. Before, Gazans were surprisingly nuanced in their analysis. This was especially true among the generation that had experience working inside of Israel. Now, [this is changing]. I interviewed [people who] are Fatah. They lost everything. They no longer believe in the possibility

> of co-existence. The scale and the indiscriminate nature of the attack; the . . . calls from the Israeli public to "finish the job": this destroyed any hope.[12]

The principal and most shocking change in popular attitudes since the recent war is that many more Gazans no longer believe in a future anymore. Given the degree and wantonness of the destruction, people no longer believe they are secure in any manner. They see no horizon and have little faith in the possibility of peace with Israel. Tragically, many if not most Israelis feel the same way.

Destruction and Its Social and Economic Impact

New Social Pressures and Challenges

The scale of the destruction has affected Gaza's entire population. All the governorates in the Strip experienced extensive aerial bombardment, naval shelling, and artillery fire. According to a European military expert, two tons of munitions were rained on all Gaza's 365 square kilometers, about three times the amount of munitions used during OCL and equivalent to a medium-sized earthquake.[13]

According to the UN, nearly 170,000 homes were damaged or destroyed during the hostilities; at least 19,000 of them are uninhabitable (of which 12,576 homes were totally destroyed).[14] To this must be added the deficit of 71,000–75,000 housing units (and 259 schools) prior to the 2014 summer, as well as some 5,000 destroyed in previous assaults and not yet rebuilt.[15] Hence, over one million Gazans—approximately 60 percent of the population—have suffered some degree of damage to, or the destruction of, their homes over the last six years.[16]

Given the huge numbers of internally displaced, the scale of homelessness has reached unprecedented levels. For example, at the height of the fighting in Operation Cast Lead, 50,000 people were displaced and remained in UNRWA facilities for seven days. (In July 2013, a year after Operation Pillar of Defense, about 12,000 people who hadn't been able to rebuild their homes destroyed in either OCL or OPD, remained displaced).[17] By contrast, at the height of hostilities during OPE, over 500,000 people were displaced, almost 30 percent of Gaza's entire population. Of these, about 300,000 had found refuge in 90 UNRWA schools.[18] By June 2015, as many as 100,000 people (the majority of them children), remained homeless or "long-term displaced" living with relatives, friends, in temporary housing or in rental apartments.[19] Some have returned to the rubble of their former homes.[20] In fact, I am told that the homeless population is referred to in Gaza as the "rubble people." By most accounts, Gaza's homelessness crisis will take years to resolve, almost certainly spawning other social problems. In such a situation, few people have a sense of place or permanence even within their own homes.

In terms of injuries during the operation, up to 1,600 people were wounded on the Israeli side, of whom 101 were civilians. On the Gazan side, over 11,200 were wounded, including some 3,500 women and 3,400 children (together, 62 percent of the total injured). Approximately 10 percent of all injured suffered a permanent disability,[21] with few if any resources available to help them; specialized rehabilitative care no longer exists in Gaza as it once did.[22] Some people sustained injuries from crumbling structures after they moved back into their partially destroyed homes. Given the exigencies of war, the enormous number of injured, and limited resources, doctors had to perform amputations in order to save time. As a result, many of the disabled are amputees. An additional 1,500 Palestinian children were orphaned.[23] The burden of caring for injured and orphaned children falls on the family and extended family, with few resources at their disposal. To this one must add at least 400,000 children in immediate need of direct psychological support.[24]

Twenty-six schools were totally destroyed and 122 were damaged (including 83 UNRWA schools) during OPE.[25] At least eleven institutions of higher education were also damaged, including the Islamic University of Gaza.[26] According to UNRWA, 90 percent of its schools must now hold double shifts. The healthcare sector suffered considerable damage as well: 24 medical facilities were destroyed, including al-Wafa' hospital, Gaza's only rehabilitation and geriatric hospital. In addition, 17 out of 32 hospitals were damaged, as were 42 out of 97 primary health centers (PHC); 8 PHCs were completely destroyed.[27] To the massive destruction carried out during OPE itself must be added the continuing damage and threat from at least 7,000 pieces of unexploded ordinance.[28]

More than any other Palestinian institution, the family has been able to withstand the dislocating effects of occupation. Yet, the family in Gaza has been under enormous stress for some time, particularly since the 2006 imposition of the closure/blockade and the economic damage that ensued. Since Operation Protective Edge, however, the pressures on the family have greatly increased. Destroyed or uninhabitable homes have resulted in a growing number of families being split up, with fathers, mothers, and children having to be dispersed among the houses of various relatives for the foreseeable future. Immediately after the end of OPE, the UN reported the "separation of children from their families or abandonment of children" in 10 of Gaza's 25 municipalities.[29] There are also more and more reports of a breakdown in the extended family structure, with individuals refusing to take in relatives because they barely have enough space themselves (particularly in cases of partially destroyed homes). Not surprisingly, the pressures on the family have resulted in excessive disciplinary measures by parents (and teachers). Sixteen of 25 municipalities have reported rising levels of violence against children. There have also been signs of gender-based violence and increased domestic violence.[30]

Amplifying these pressures is the destruction of certain neighborhoods and communities. In Bayt Hanun, for example, 60 percent of the homes were destroyed, along with large tracts of agricultural fields. The village of Khuza`a,

once known as Gaza's orchard was almost entirely destroyed, as was much of al-Shuja`iyya, a middle-class quarter in eastern Gaza City near the border with Israel. A colleague who works for the UN in Gaza wrote:

> Khuza`a was very difficult. There are whole stretches with every dwelling smashed, and untouched land between them. People are living in two- and three-walled rooms. There is almost no sight of the neighborhood economy until you drive some blocks back—but also no sign of transport for people to reach the trading. We saw only one little micro-enterprise cart of the kind that normally fill neighborhoods. It feels as though they are miles away from any kind of community, and I can't begin to imagine the impact of staring at jagged wreckage day after day.
>
> When they see the big UN car, everyone drifts toward it, sometimes hailing it and sometimes angry or just desperate to tell someone what they are living through. What had been a lively neighborhood has been reduced, so suddenly, to complete dependence. They fell through the floor of any kind of humane standard . . . there is a fragility in these areas that I find frightening.[31]

People are broke financially, emotionally, and psychologically.[32] According to a September 2015 UN report, 72 percent of households in Gaza suffer from food insecurity.[33] Some heads of households are giving up responsibility for their teenage children because they can no longer provide for them, forcing these children to care for themselves. While it would be incorrect to claim that this behavior is widespread, it appears to be increasingly visible. Equally alarming, writes the analyst Sami Abdel-Shafi in a soon-to-be released Chatham House study, "Very difficult living conditions and poverty pushed many unemployed Palestinians to force their children out of school and into the streets in search of whatever means to earn their family's daily bread. Anecdotal evidence shows that some children are becoming heads of households in a society where this hardly ever happened before."[34]

To this one must add the growing numbers of beggars, including young girls. Already during my last visit to Gaza in May 2014, I heard reports of prostitution as a widening phenomenon, a particular anathema in Gaza's conservative society. Reports of growing divisions within society are rife, particularly with regard to displaced people, who are feared by others. Even those with money seeking a place to live are having difficulties, since many Gazans will not rent to them. Doors are being closed in people's faces, literally and figuratively, including by the Hamas authorities who have imposed a range of economic measures that many if not most Gazans can hardly absorb. In a society where people traditionally help each other, this appears less and less to be the case. There is simply too much loss, too much fear, too much uncertainty,

and too little possibility. Under these conditions, how is it possible to maintain social cohesion, so essential for group wellbeing and inclusion?

Devastating an Already Diminished Economy

As this book has made clear, Gaza has long been defined by a structurally dysfunctional economy. The blockade in particular ended all normal trade upon which Gaza's tiny economy was dependent, while at the same time disabling the private sector and its capacity to generate jobs. The result has been to prevent any viable recovery of Gaza's productive sectors devastated by successive Israeli assaults. According to revised UN figures, the "total number of unemployed . . . exceeded 200,000 in mid-2014 [just before OPE] and doubled compared [with] mid-2013 (108,000)."[35] For the population segment aged 20–24, unemployment approached 70 percent.[36]

With OPE, Gaza's economy effectively collapsed, "with recovery expected to take decades."[37] Significantly, the assault, which alone imposed a total direct cost of $3.045 billion,[38] eliminated most if not all signs of Gaza's living economy; in other words, OPE largely wiped out those economic factors that were still viable after previous attacks. According to the UN, an "estimated 1,000 small factories and workshops and over 4,100 establishments in the retail, wholesale, restaurant and hotel industries were destroyed or damaged."[39] These factories were critical for food and pharmaceutical production, rebuilding, and other productive activities.

Among the most prominent, perhaps, was the al-'Awda factory located in Dayr al-Balah in the central Gaza Strip. This was one of Gaza's oldest and most successful plants, producing a variety of food products since 1977. At one point, the factory employed 400 workers in three shifts, 24 hours a day. Sixty percent of its products were sold in the West Bank, 5 percent in Israel, and 35 percent locally. After the imposition of the blockade and the elimination of the West Bank and Israeli markets, the factory remained open ten days per month, using one production line (compared with five in the past).[40] During OPE, al-'Awda was completely destroyed, sustaining $20 million in damage.[41] Other major enterprises destroyed included Hamada, a large flour mill in Gaza City; the al-Badr preserves factory, which also provided a source of income for several hundred farmers; the al-Wadi'a food processing factory; Khuzandar, Gaza's only carton-maker; and Gaza's only asphalt plant. In addition, 21 food companies, 10 clothing manufacturers, and the entire industrial zone in the northern town of Bayt Hanun were destroyed. It is worth recalling that some 1,500 small businesses and workshops were completely destroyed during Operation Cast Lead in 2008–2009.[42]

The agricultural sector also suffered great loss. According to the Food and Agriculture Organization (FAO), some 17,000 hectares (42,000 acres) or 30 percent of cultivated agricultural land sustained direct damage, as did "much of [Gaza's] agricultural infrastructure including greenhouses, irrigation systems, animal farms, fodder stocks, and fishing boats."[43] In fact, "40 percent of

livestock were killed or died as a result of lack of care during the fighting."[44] The Palestinian Ministry of Agriculture estimated direct and indirect losses of $450 million in the agricultural sector. Furthermore, around 24,000 households "dependent on farming, fishing or herding will need assistance to minimize the deterioration of their productive assets and restore their livelihoods."[45] Although Gaza imports most of what it consumes, locally produced food remains important, providing income for 28,600 households, or about 175,000 people.[46]

In a report released in May 2015, the World Bank revealed that as a result of Israel's blockade and OPE, Gaza's manufacturing sector shrank by as much as 60 percent over eight years while real per capita income is 31 percent lower than it was 20 years ago. The report also stated that the blockade alone is responsible for a 50 percent decrease in Gaza's GDP since 2007. Furthermore, OPE (combined with the tunnel closure) exacerbated an already grave situation by reducing Gaza's economy by an additional $460 million.[47]

A report issued in September 2015 by the United Nations Conference on Trade and Development estimates that the direct losses (excluding people killed) of the three military operations between 2008 and 2014 to be "nearly equal to what could be produced in three years by the 1.8 million Palestinians living in Gaza"[48] (or near three times the size of Gaza's GDP). According to the Office of the Quartet, "Gaza has not been a functioning economy since 2007." External aid contributes about half of Gaza's GDP and approximately two-thirds of all jobs. Without such aid there would be no functioning economy in Gaza at all.[49]

The losses imposed on Gaza have resulted in extremely high (but not unprecedented) levels of unemployment and impoverishment.[50] Prior to the summer 2014 onslaught, around 70–80 percent of the population was receiving some form of humanitarian aid (e.g., food or cash assistance). Afterwards, towards the end of 2014, the share of the population receiving such aid was estimated to exceed 80 percent. Furthermore, with present unemployment again approaching 50 percent overall, Gaza is nearing a point where, as economist Omar Shaban argues, it is more appropriate to speak of Gaza's level of employment, rather than of its unemployment level.[51]

The large-scale destruction of al-Shuja`iyya mentioned above has economic and social implications which, while not always obvious, are dire. Many relatively well-off Gazans lived in al-Shuja`iyya. This was a center of Gaza's middle class, home to people who, through their businesses and commercial activities, provided the backbone of the Strip's local economy. They constituted not only a source of employment but also a financial resource for people in need of loans or some sort of economic assistance. Now, many if not most of these people who had been so essential to maintaining some level of economic activity in Gaza have themselves become needy and destitute, their homes and businesses destroyed.

The attack on Gaza's much diminished middle class can also be seen in the systematic destruction, during the final days of the 2014 fighting, of some of Gaza's most impressive high-rise buildings where many of them resided

and owned commercial enterprises. These include: the 15-story Basha Tower, Gaza's oldest high-rise, which in addition to residences housed medical and dental clinics, media organizations including radio stations, and NGOs; the Italian Compound, a 13-story residential tower; the Zafir 4, a 14-story residential tower where 44 mostly middle class families lived; and the Zurab building, a seven-story commercial center in Rafah.[52]

Any reference to the economy and its destruction must include the attack on Gaza's only power plant, which was hit multiple times. The plant has since been repaired, but is severely hampered by limited fuel supplies. Electricity is available only four to six hours per day.[53] Furthermore, Gaza's water infrastructure, already deeply compromised before OPE, suffered considerable damage, with at least 450,000 people still unable to access municipal water by September 2014.[54] One month later, Dr. Oded Eran, former Israeli ambassador to the EU and Jordan, wrote that 1.2 million people in Gaza have no running water at all. According to Dr. Eran, "There exists insufficient electricity in Gaza to treat or pump out sewage. This will no doubt result in even higher than present levels of drinking water contamination that risk the outbreak of pandemic disease, such as cholera and typhoid. The health risk is compounded by the present inability to even chlorinate drinking water."[55] In June 2015, Israel's national water carrier, Mekorot, increased its water supply to the Gaza Strip to 10 million cubic meters of water, more than doubling its previous allocations.[56] This amount, however, meets only 10 percent of the water needs of Gaza City alone.[57]

Moreover, 20–30 percent of all water and wastewater networks and at least three desalination plants were greatly damaged during Operation Protective Edge. Consequently, water and sewage have been mixing, creating a public health hazard.[58] Also, with 12 percent of all wells damaged or destroyed, some communities have reportedly been forced to use contaminated and non-chlorinated agricultural wells.[59] Some wastewater treatment plants are not fully functioning, meaning that raw sewage is discharging into the sea or seeping into sand dunes—adding to the more than 23 million gallons (90,000 cubic meters) of raw or partially treated sewage that have been entering Gaza's environment daily since (at least) 2012. A friend living abroad recounted a conversation with his family in Gaza (in the summer of 2015) where they told him that they could now detect the smell of sewage in their drinking water.[60]

According to the UN, the loss of employment and agricultural assets and the impossibility of accessing agricultural lands, combined with "the lack of disposable income due to livelihood losses from the prolonged blockade, has constrained the ability of most households to purchase food from the local market and re-engage in food production for subsistence and income."[61]

Given the enormity of the damage, the insecurity and impermanence that now characterize Gazan society, and the consequent lack of faith in the future, there is little if any incentive for the small pockets of wealth that remain to invest in Gaza's rehabilitation or rebuilding. Increasingly, people with means are unwilling to consider additional investments such as opening a shop, buy-

ing land, or rebuilding a factory. Gazans with some wealth, according to my sources, are moving their money outside Gaza, preferring cash over assets. This represents a marked change compared to my trip in May 2014, before OPE, when Gaza's small wealthy class was investing their money in hundreds of residential high-rise buildings and towers. Although the buildings were almost entirely empty—a fact which in itself was indicative of the economic distortion whereby investment and other forms of economic activity had largely devolved to the level of the individual entrepreneur—they were nonetheless symbolic of a certain faith in the future. As a highly successful businessman in Gaza told me at the time, "We have hope, not planning."[62] According to a colleague, a political analyst in Gaza:

> Stepping into this war, people were either poor or were quickly getting there. The only thing many had left for them is the ceiling on top of their heads. With [the] substantial and nearly blind destruction of entire towns and parts of large cities—particularly along the northern, eastern, and southern borders of Gaza—those people now have nothing. These were people who had worked a lifetime to gradually build multiple story buildings for themselves and for their sons and daughters. Now, they've lost it all and have no way to re-develop even if they wanted to. This is because they have aged, have no economic opportunity, are poor because they've lost their savings and have no jobs, or all of these things combined. In Gaza, it often doesn't matter what age one is; almost everyone is "retired."[63]

My colleague's remarks point to an economic leveling of society, again without precedent. Socioeconomic divisions have disappeared to a degree not seen before: almost *everyone* has been impoverished, reduced to basic survival. "In the rest of the world we try to bring people up to the humanitarian standard," states an official of the Israeli NGO, GISHA. "Gaza is the only place where we're trying to push them down—to keep them at the lowest possible indicators."[64] Most people literally have no money other than cash and food handouts, and certain areas of Gaza have reportedly been reduced to a barter economy. According to the UN, three of the world's 50 biggest active garbage dumps are located in the Gaza Strip, dumps where people collect and sell scavenged materials.[65] Productive activity is largely at a standstill. There is little to sustain people economically except aid.

Alarmingly, Gaza's extreme economic losses extend to the health of the population. In August 2015 (and based on a survey that was carried out before OPE), the UN released figures on infant and neonatal mortality among Gazans that were shocking. They found that for the first time in 50 years, the infant mortality rate (IMR) was rising, a reversal which UNRWA described as "unprecedented." The IMR in Gaza has consistently declined over the past several decades from 127 per 1,000 live births in 1960 to 20.2 in 2008. According to

the director of UNRWA's health service, "Progress in combatting infant mortality doesn't usually reverse. This seems to be the first time we have seen an increase like this. The only other examples I can think of are in some African countries which experienced HIV epidemics." Gaza has not experienced such an epidemic, yet the number of infants dying before they reach the age of one has risen from 20.2 per 1,000 live births in 2008 to 22.4 in 2013. The rate of neonatal mortality, or the number of babies who die before they reach the age of four weeks, has risen significantly from 12 per 1,000 live births in 2008 to 20.3 in 2013, an increase of nearly 70 percent.[66] Another colleague, a Gazan economist, commented: "The U.S. and EU are taking us back to 1948 when Palestinians were totally dependent on aid. Why? How will Gaza's destruction ensure Israel's security?"[67]

Beyond Sumud: Fleeing Gaza

As a consequence of all these factors, another new and relatively underreported phenomenon has emerged in Gaza: boat people. While young Gazans have for years wanted to leave for a better life, the situation after Operation Protective Edge became such that, according to a September 2014 poll, 43 percent of Gazans want to emigrate and many of those who manage to leave tend to be educated and skilled.[68] In another poll taken a year later, 52 percent indicated a desire to leave Gaza.[69] This, too, is unprecedented. People cannot live without hope, which is why so many are now talking about leaving. According to the *Economist*, "Palestinians have not produced boat people since the war that created Israel in 1948."[70] Between August 28 and September 6, 2014, 1,800 Gazans arrived in Italy. Overall, between 3,000 and 5,000 Gazans "escaped" through tunnels with the help of fake medical referrals to Rafah, where Egyptian officials are easily bribed.[71] According to a Gazan involved in these smuggling operations, "This trip costs between $3,500 and $4,000 a person. It's a relatively small tunnel; most of the big ones have been blocked by the Egyptians. People crawl dozens of meters and at the end of the tunnel on the Egyptian side of Rafah a minibus or other vehicle waits for them and takes them to Port Said."[72] In fact, the *Economist* states that "people-smuggling" has become one of Gaza's few growing industries.[73]

While some people have the money to get out of Gaza, or manage to borrow it, others use the money they have received from UNRWA, the Hamas authorities and other sources for their damaged or destroyed homes. Instead of using it to repair or rebuild those homes, as was the case following OPD two years ago, some reportedly use the money to send their children on boats to escape Gaza, hoping they will reach Europe and subsequently arrange to get the parents out.[74] Palestine was always defined by *sumud* or steadfastness, a commitment to remain on the land. This can no longer be taken for taken for granted, at least not in Gaza.

Not long after the cease-fire that ended Operation Protective Edge, a friend in Gaza wrote, "A young guy who cuts my hair plans to get on a boat and seek

asylum in Sweden. Two weeks ago, his friend took the same journey and made it through. He sent a picture on Facebook from Stockholm. But it's dangerous and people drown, I told him [four hundred Gazans, families including children, were presumed drowned off the coast of Malta[75]]. Yes, he had replied, but people drown here [too], and they are going nowhere . . . At least there is a chance that at the end I will arrive to a better place."[76] It is important to emphasize that the Gazans who are leaving by such means include children from conservative families connected to Hamas and Islamic Jihad. Among those presumed drowned off the coast of Alexandria in September 2014 was the son of a well-known professor of *shari`a* law at the Islamic University of Gaza. Leaving Gaza is no longer seen as the behavior of secular or "decadent" people.

Redefining Reconstruction[77]

In the present context, what does it mean to "reconstruct Gaza"? Despite the magnitude and urgency of the task at hand, efforts to "reconstruct" or "rebuild" Gaza have long been deeply problematic. Although $3.5 billion was actually pledged by donors, only 35 percent has been disbursed—much of it (over 25 percent) committed to prewar projects and some of it directed to the removal of debris. Two of the largest donors, Saudi Arabia and Qatar, have only disbursed 10 percent of the $1.5 billion they pledged.[78] Despite the billions of dollars pledged, reconstruction is thwarted because it is always planned or implemented within an unchanged (and unchallenged) political framework of continued Israeli occupation, assault, and blockade.[79] Even leaving aside the fact that local economists from the outset claimed that donor pledges fell far short of actual need, Oxfam warned that donor monies pledged for reconstruction would "languish in bank accounts for decades before it reaches people, unless long-standing Israeli restrictions on imports are lifted."[80]

Whatever the case, Gaza needs around 700,000 truckloads of construction materials just to rebuild homes and schools. Based on the average monthly rate (i.e., 1,100 truckloads) whereby construction materials were allowed into Gaza during the first half of 2014 (before OPE), it would take 53 years to rebuild the 89,000 new homes and 226 new schools required, (perhaps longer if health facilities, factories, and water and sanitation, and other infrastructure are included).[81] Oxfam cites Gaza's reconstruction experience following the 2009 donor conference (in response to OCL) as a warning to current donors. Noting that Israel allowed only 335 truckloads per month to enter Gaza in the two years after the conference (compared with 7,400 per month before the blockade),[82] Oxfam clearly implied that at this rate it would take 174 years to return Gaza to where it was in May 2014. Hence, writes Oxfam, "Unless donors step up pressure to end the blockade, many children made homeless by the recent conflict will be grandparents by the time their homes and schools are rebuilt."[83] By June 2015, and despite some minor easing of the blockade, "less than one percent of the construction materials required to rebuild houses de-

stroyed and damaged during [OPE] and to address natural population growth" entered Gaza.[84] By the end of August 2015, the figure had slightly improved to 6.7 percent of total needed construction materials.[85] And of course, Israel's blockade also applies to exports, which remain almost entirely prohibited. According to the UN, during the first five months of 2015, 408 truckloads of commercial goods exited Gaza via Israel, nearly a five-fold increase compared to the same period in 2014 when only 83 truckloads were exported. However, these 408 truckloads represent around 8 percent of the volume during the same period in 2007, prior to the intensification of the blockade.[86]

The Reconstruction Plan: Structuring Failure

The various reconstruction projects planned for Gaza over the years have never been part of a larger political program meant to alleviate Palestinian suffering or improve conditions. Rather, the projects have always been treated as ends in and of themselves. Meanwhile, Gaza's vulnerability to Israeli military attacks and economic sanctions is at best ignored and at worst endorsed by key forces in the West, notably the United States and the EU.

Even against such a background, however, the current plan for Gaza's reconstruction—presented to and accepted by the donors soon after OPE—represents a new low point. Never mind that Gaza's latest devastation, met largely with laissez-faire silence from Western states, is completely unprecedented; the agreed-upon plan for addressing the situation clearly prioritizes limited short-term gains at the cost of a long-term entrenchment of Israel's destructive blockade. As one donor official put it to me: "If we can get cement and other construction materials into Gaza, it's a win."[87] Another acknowledged, "Donors backed the plan before they had even seen it."[88] According to several local analysts, little if any planning informed the reconstruction strategy: "People who [do not care about] us are talking on our behalf," said a noted Palestinian journalist, who also queried, "What is the $6 billion aid request based on? There have been no feasibility or market studies or systematic research of any kind. Popular belief among Gazans favors conspiracy theories and holds that aid monies will once again be used to line the pockets of corrupt PA officials."[89]

There are now several documents describing the reconstruction and recovery plan for Gaza. Of these, the most important and the most shocking is the *Gaza Reconstruction Mechanism* (GRM), which was brokered by UN envoy Robert Serry, the Palestinian Authority, and the Government of Israel. At least to my knowledge, it had not been published as of this writing but is now available in its entirety in the Appendix to this book. The first priority of the GRM is to "Provide security assurances to the [Government of Israel]." This is then followed by three additional priorities: "Work at the scale required in the Gaza Strip; [e]nable the PA to play the lead role in the reconstruction effort . . .; and [a]ssure donors that any investments will be implementable without delay."[90]

Another key document concerning the plan, the *Materials Monitoring Unit Project, Project Initiation Document* (MMUP), is available, but has not been

widely distributed outside the donor community (also published in its entirety in the Appendix). The MMUP, led by the Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), describes the mechanism for monitoring "approvals, entry, supply and use of dual use items in Gaza. . . . [More specifically it] essentially seeks to mobilize a multi-disciplined team located in Gaza that will monitor the supply chain of dual use items in efforts to ensure they are used for the purpose approved."[91] Both documents—which do not include actual projects but detail the administrative and bureaucratic mechanisms for implementing projects—read more like security plans, carefully laying out Israeli concerns and the ways in which the United Nations will accommodate them. They do not speak to the comprehensive recovery of the Gaza Strip. In fact the implementation mechanism they detail has so many problems that, in my view, it is clearly destined—and perhaps even designed—to fail.

The GRM and MMUP call for a cumbersome administrative and bureaucratic apparatus for project selection and implementation, monitoring, and compliance that transfers risk to Palestinian beneficiaries and suppliers (who will be blamed and penalized for any implementation failure). Furthermore, the GRM directly states that Palestinian participants must provide a body of personal and business information—ID card numbers, address and family status, for example—that will be entered into a central IT database to which the Israeli government has access. The documents totally ignore the power asymmetries and security realities that unquestionably affect outcomes. In fact, what is being created is a permanent and complex permit and planning system, similar to the one Israel uses in Area C of the West Bank, which is under total Israeli control. Perhaps most important, Israel must approve all projects and their locations, and will be able to veto any aspect of the process on security grounds.

Furthermore, there is no mention of reviving Gaza's export trade or private sector development (other than in relation to specific private sector companies vetted by the Palestinian Authority and Israel for individually approved projects). Both these elements are essential for rehabilitating Gaza's moribund economy. Similarly, there is no reference to the free movement of people, another urgent need.[92] There is no mechanism for accountability or transparency with regard to Israel. Nor will there be any mechanism for resolving disputes, which under the plan can only be decided through consensus: the occupier must agree with the occupied. And yet, "a UN risk assessment drawn up on 14 September to examine the feasibility of the monitoring scheme lists the likelihood of Israel reneging on agreements as 'high risk' and potentially 'catastrophic.'"[93]

In essence, the reconstruction plan as structured serves mainly to legitimize Israel's preferred security preferences. The GRM lists five overarching parameters, the first of which is to "satisfy Israeli security concerns related to the use of construction and dual-use material, particularly as related to the monitoring and tracking of material for large scale works."[94] The primacy of this imperative is affirmed in the MMUP document, which states that the outcome of the reconstruction project must be "the establishment of an intermedi-

ate system of dual-use items monitoring that will facilitate the import approval of construction materials and machinery into Gaza. This will be achieved through the reduction of [Israeli] security concerns of materials being diverted for use in the enhancement of military capabilities and terrorist capacities."[95]

Meanwhile, not only will the blockade of Gaza be maintained, but responsibility for maintaining it will in effect be transferred to the UN, which is tasked with monitoring the entire process over which Israel retains full control. As a colleague, an analyst in Jerusalem, succinctly put it: "Israel retains the power, the UN assumes the responsibility, and the Palestinians bear the risk."[96]

It is also clear that the donors are the sole funding source for Gaza's reconstruction; Israel assumes no financial responsibility. The MMUP document has only this to say about the Israeli role, which appears almost disinterested: "The [government of Israel] plays no operational role other than approvals and as recipient of the monitoring reports. As such, consultation and approval will be required in the development of the report templates."[97]

The reconstruction plan as outlined by the GRM and MMUP takes no account of internal Palestinian divisions, which will likely be amplified by a proposed structure that pits one faction against the other. In fact, in October 2014 an 18-member delegation representing Gaza's business elites met with PA President Mahmud Abbas to discuss reconstruction. Delegation members were shocked and appalled by his response, which amounted to a declaration of war against Hamas and a disavowal of Gaza and her people.[98]

The Role of Donors

Assuming, for the sake of argument, that the reconstruction plan as described by the GRM and MMUP is successfully implemented, its intended outcome is still completely unclear. Nothing in the plan explains what kind of economy is supposed to result, or what exactly is to be rebuilt. Is it what was lost in 2000, 2006, 2007, 2008–2009, 2012, or 2014?

After all, reconstruction is not simply about buildings and public works: it's about securing a real future and creating a sense of place, possibility, and security. Life in Gaza cannot be rebuilt with cement and cash handouts. Without doubt, people desperately need assistance. But what is at issue are the terms on which that assistance will be provided, and what political ends it will serve. Gaza does not need just aid; it needs freedom and the right to interact normally with the world. Anything short of this is unsustainable.

Yet another point needs to be made here. In my decades of studying the political economy of the occupied territories, the international economic and development institutions involved have consistently embraced the same fundamental approach (which is repeated in the current reconstruction effort): restoring Gaza (and the West Bank) to a less compromised position of the past, rather than moving Gaza forward into the future. By this I mean returning Gaza to a relatively better—but still highly diminished—economic position it held historically rather than catalyzing a process of meaningful economic change

that would propel Gaza forward to a new level of economic development. This approach, symptomatic of Gaza's—and Palestine's—marginalized status, is a repeated and dangerous failure of the donor community, which has consistently refused to challenge Israeli occupation policy, perniciously enabling the occupation and its most damaging effects.

More than 20 years after the start of the so-called peace process, the donor community that funds rebuilding efforts has much to answer for. In the absence of a political resolution to the Israeli-Palestinian conflict, it is shocking that the occupation and continued dispossession of more than four million Palestinians in Gaza and the West Bank continue to be tolerated by the West. Similarly, the blockade, the unraveling of Gaza's economy, and the deepening impoverishment of 1.79 million people in the Gaza Strip—the majority of them 18 years old and younger—are met not with outrage, but with the tacit support of Western governments.

Past reconstruction efforts have been weakened by an absence of a community voice in setting priorities and by the lack of coordination with local bodies. For example, large housing developments have been built without any consultation with the intended recipients. There are no planning councils or other forums where local people can speak out and speak back. There are no democratic mechanisms to monitor how aid money is spent, and with what results. As one colleague put it: "The local NGOs and the big donors are both complicit in this systematic denial of accountability."[99]

The truth is that as long as humanitarian aid is used to address political problems, as long as it is intended to serve as a substitute for human rights, all "reconstruction" will mean for Gaza is continuing ruination.

Issues of Governance

OPE ended over one year ago, and since then nothing has been done to translate the cease-fire into meaningful change. At a time when political leadership is urgent, it is effectively absent, with no one offering a vision for a better future.

In the interviews I have been conducting with Gazans, I always ask: Who is running Gaza? Uniformly, the answer is: Gaza is running itself. In fact, the statement is not literally true. The national unity government formed by Hamas and Fatah in June 2014 never really got off the ground before Israel launched its massive attack, and in June 2015 it split apart.

However, during its one-year existence, limited changes occurred. First, all the Hamas ministers left their posts, returning to their original positions as university professors and heads of charities, with deputy ministers left in charge. Second, Gaza's day-to-day affairs were run by employees hired by the ex-Hamas government (which gave way to the so-called national unity government) together with UNRWA, which many consider to be Gaza's de facto government. Third, four PA ministers (Labor, Housing, Justice, and Women's

Affairs) in the "unity" government were appointed by the PA in Ramallah to serve in Gaza; though all were living in Gaza they did little to assume their roles. In fact, ministries in Gaza were not receiving money transfers from Ramallah to cover their operational costs. Even where ministry employees were willing and able to work, the political decision-makers in Ramallah interfered, often preventing the ministries from carrying out their work, crippling many functions.

Critically, decision-making and empowerment remained exclusively in Ramallah, which abdicated much of its responsibility for the Gaza government of which it formally was still a part, as evidenced in its refusal to pay the salaries of any government employee hired by Hamas despite the urging of the U.S. consul general in Jerusalem to do so. This refusal meant that employees of the former Hamas government had not received salaries for quite some time, and growing numbers no longer had enough money even to get to work. This included people from the interior ministry, as well as doctors and teachers who had been working for no pay. (In the fall of 2014, the ex-Hamas government paid its employees a one-time payment of half salaries ranging from $300–$1,300—the first payment in nine months). This in turn contributed to Gaza's growing brain drain,[100] reducing, in effect, the Hamas administration to a struggling and increasingly punitive municipal authority.[101]

Another complicating factor was the ambiguity surrounding law enforcement and security and who is responsible for it, and the failure to gradually integrate Hamas and Fatah security forces as called for in the unity agreement. Writing in September 2014, a respected political analyst in Gaza observed:

> Not surprisingly, the ex–Hamas government in Gaza feels quite frustrated. They've officially left government but see that the new government hasn't actively come to Gaza . . . and does not seem very keen on engaging with Gaza as much as they [had] expected. This frustration includes almost everyone in Gaza, including the public, which is beginning to notice that the new government isn't looking after Gaza's affairs. What remains certain and clear, [however], is that the [Hamas] ex-government is in charge of security around Gaza because . . . they do not want to allow an environment that potentially [disintegrates into] chaos.

With both Fatah and Hamas having effectively abdicated responsibility and actively oppressing Gaza's population, and absent any source of legitimate authority, the result has been rising uncertainty, insecurity, and fear among the population. This sense of insecurity and fear was no doubt intensified by a series of attacks on the international community in Gaza in 2015 including two against the French Cultural Center in Gaza City and a violent demonstration against UNRWA in January 2015 after it suspended a rent subsidy program due to budget constraints.[102]

The divisions between Gaza and Ramallah came to a head in June 2015 when it was revealed that Hamas was engaged in indirect and independent talks with Israel about ending the nine-year-long blockade and possibly negotiating a separate status for Gaza. Hence, it came as no surprise when PA Prime Minister Rami Hamdallah tendered his resignation, dissolving the government cabinet, a move Hamas officials claim they knew nothing about. By the end of July, the Fatah leadership was demanding that Hamas "hand over rule of the Gaza Strip as a condition for forming the new government."[103] The Hamas movement responded by accusing the PA of trying to eliminate the movement from the West Bank by arresting 200 Hamas members and called for "an uprising and a revolt against the political arrests" by the PA. Hamas also called on all Palestinian factions to adopt "a firm stand against the Authority's crimes against the resistance and its members."[104] Clearly, the future for both Gaza and the West Bank remains uncertain.

Completing the Political Circle? A Final Thought on De-development

The current political and economic framework is unsustainable, and there is no doubt that in the absence of meaningful reform it will bring profound insecurity and misery to both Palestinian and Israeli. It is defined by many factors discussed throughout this book—continued Israeli occupation and blockade and the lack of political unity among Palestinians (that goes well beyond Hamas and Fatah, Gaza and the West Bank to include Palestinian refugees elsewhere in the world), among others.

Furthermore, the current political framework is also operating (or not operating) within the context of a new Israeli strategy that has been emerging over the last two years. This strategy represents a pronounced shift away from the idea of negotiating an independent Palestinian state toward a tightly controlled "conflict management" approach, which was articulated most clearly by Israel's defense minister, Moshe Ya'alon, several months after OPE.[105]

> I'm not looking for a solution, I am looking for a way to manage the conflict and . . . maintain relations in a way that works for our interests. We need to free ourselves of the notion that everything boils down to only one option called a [Palestinian] state. As far as I am concerned let them call it the Palestinian Empire. I don't care. It is an autonomy if it is ultimately a demilitarized territory. That is not a status quo, it is the establishment of a modus vivendi that is tolerable and serves our interests.[106]

This approach, though informed by the belief that an independent Palestinian state would destabilize the region, would allow Palestinians greater

autonomy and freedom of movement—albeit under Israeli and international supervision.[107] Essentially, this is exactly what Gazans (and West Bankers) have long had—at least in theory—since the occupation began (and what may underlie Israel's separate negotiations with Hamas over the future status of Gaza. Arguably, this is also what the current reconstruction program is really about). Have Palestinians—Gazans, especially—and Israelis come full circle politically and economically, ending up, in effect, close to where they began nearly a half century ago?[108] Is de-development approaching its endpoint—i.e., rendering Gaza functionally unviable? I have argued that it is.

As this book has hopefully made clear, de-development is a process, shaped by a vision of denial and renunciation that was articulated early in the occupation and which remained fundamentally and substantively unchanged ever since. But like many processes, de-development and the damage it has caused can be reversed if the political will exists to do so. Its reversal depends, of course, on many factors; I would like to conclude this book by mentioning just one to which I have directed far too little attention: the character of Gaza's people.

Gazans are victims but they are also actors. They have withstood decades of punishment and deprivation and have continually re-emerged. They refused surrender during OPE, supporting the Islamist resistance without question despite clear and ongoing criticisms of Gaza's political leadership. Many people, myself included, have described Gazans as resilient. Yet, I have come to dislike this particular characterization for its inadequacy, its failure to convey the full weight of popular spirit and resolve, and the unending insistence of Gaza's people on engagement beyond dialogue, rejecting any characterization that defines them as the "other" or as marginal. Although conditions have become daunting and many more people wish to leave than ever before, there remains within Gaza an interconnected sense of defiance and possibility, which is seen, for example, in its small but flourishing artistic landscape.[109]

Gazans are desperate for a connection with the outside world. They are eager for links with Israeli, American, and European institutions sympathetic to their cause. People want to participate in the world, but they must be treated—and they demand to be treated—not as beneficiaries, but as principal and valued participants in their own remaking, whose agency is not only acknowledged but also engaged. Despite everything they have endured and continue to endure, many in Gaza still imagine a different world. If de-development is to be arrested and reversed, the world must embrace that imagining.

Cambridge, Massachusetts
September 2015

Notes to the Afterword:

1. Taken from Mira Bartok, *The Memory Palace: A Memoir* (New York: Free Press, 2011), p. 164.

2. Sixty-five percent of Palestinians killed were civilian, including 551 children. Seventy-three Israelis also died, among them six civilians, including one child.

3. United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Fragmented Lives: Humanitarian Overview 2014*, March 2015, pp. 4–6, online at http://www.ochaopt.org/documents/annual_humanitarian_overview_2014_english_final.pdf; and Mairav Zonszein, "Israel Killed More Palestinians in 2014 than in any other year since 1967," *Guardian*, March 27, 2015, online at http://www.theguardian.com/world/2015/mar/27/israel-kills-more-palestinians-2014-than-any-other-year-since-1967.

4. Jean-Pierre Filiu, "Gaza, Victim of History," *International New York Times*, August 27, 2014, p. 7. Also see Jean-Pierre Filiu, *Gaza: A History* (New York: Oxford University Press, 2014).

5. See Ilana Feldman, "Isolating Gaza," *Stanford University Press Blog*, July 28, 2014, online at http://stanfordpress.typepad.com/blog/2014/07/isolating-gaza.html.

6. Telephone Interview, September 2014.

7. Portions of this afterword first appeared in Sara Roy, "Rebuilding Gaza Needs Freedom and Normality, Not Just Aid," *Conversation*, October 30, 2014, online at http://theconversation.com/rebuilding-gaza-needs-freedom-and-normality-not-just-aid-33604. Reprinted with permission.

8. Email correspondence, September 2014.

9. "Gaza after the War: A Sea of Despair," *Economist*, October 4, 2014, p. 56. Also, see Sarah Lazare, "Gaza Cut Off from All Sides as 'Collective Punishment' Deepens," *CommonDreams.org*, November 3, 2014, online at http://www.commondreams.org/news/2014/11/03/gaza-cut-all-sides-collective-punishment-deepens.

10. Email correspondence, September 2014.

11. Francesca Borri, "Gaza's Dark Night," *openDemocracy*, July 27, 2015, online at https://www.opendemocracy.net/arab-awakening/francesca-borri/gaza's-dark-night.

12. Email correspondence, September 2014. In this regard see Breaking the Silence, *This Is How We Fought in Gaza: Soldiers' Testimonies and Photographs from Operation "Protective Edge" (2014)*, Jerusalem, May 2014, online at http://www.breakingthesilence.org.il/pdf/ProtectiveEdge.pdf.

13. Interview via email, Lt. Col. Desmond Travers, October 2014.

14. United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Gaza One Year On: Latest Damage Assessments Reveal over 12,500 Housing Units Destroyed over the Summer Hostilities in Gaza*, May 2015, online at http://gaza.ochaopt.org/2015/05/latest-damage-assessments-reveal-over-12500-housing-units-destroyed-over-the-summer-hostilities-in-gaza .

15. GISHA, *Money Isn't Everything* (Tel Aviv: Legal Center for Freedom of Movement, October 14, 2014), online at http://gisha.org/updates/3578; GISHA, *Turning a New Page: The End of Civilian Closure and the Possibilities It Offers* (Tel Aviv: Legal Center for Freedom of Movement, August 2014), p. 3, online at http://gisha.org/publication/3400 ; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Gaza Crisis Appeal*, September 2014, pp. 4–5, online at http://www.ochaopt.org/documents/gaza_crisis_appeal_9_september.pdf. "The Gaza Housing Ministry estimates that [the housing deficit approaching 75,000 units] increases by 800 to 1,100 units every year due to population growth." See GISHA, *Building in Ruins* (Tel Aviv: Legal Center for Freedom of Movement, June 12, 2014), online at http://gisha.org/en-blog/2014/06/12/building-in-ruins.

16. I added the number of homes damaged and destroyed (170,000 + 5,000) and multiplied it by 6.1 people per household (the average size of a Gazan family in 2012).

17. Chris Gunness, "Breaking the Cycle of Construction and Destruction—A Humanitarian Perspective on Gaza," Paper presented on a panel entitled, *Abandoned yet Central: Gaza and the Resolution of the Israeli-Palestinian Conflict*, Middle East Association Annual Meeting, Washington, DC, November 23, 2014.

18. Gunness, *Abandoned yet Central*. Gunness further writes, "To be clear, an UNRWA school in Gaza is a small compound with 20 classrooms and sanitation facilities for a thousand kids during the day. Some of our schools at the height of the conflict were housing as many as 5,000 displaced people 24/7. People arrived walking, usually with children and carrying what they could, often through rubble-strewn streets, amid intense bombing. So as well as dealing with accommodation, sanitation, food and medicines, we were also dealing with trauma."

19. Norwegian Refugee Council, *Shelter Cluster Factsheet*, June 2015, p. 5, online at http://www.shelterpalestine.org/Upload/Doc/d3631325-697d-4fca-9dc0-619e79e-63ab0.pdf; Human Rights Council, *Report of the Detailed Findings of the Independent Commission of Inquiry Established Pursuant to Human Rights Council Resolution S-21/1*, June 24, 2015, p.154, online at http://www.ohchr.org/EN/HRBodies/HRC/CoIGazaConflict/Pages/ReportCoIGaza.aspx#report. Association of International Development Agencies (AIDA), *Charting a New Course: Overcoming the Stalemate in Gaza*, Joint Agency Briefing Paper, April 13, 2015, online at https://www.savethechildren.net/sites/default/files/libraries/bp-charting-new-course-stalemate-gaza-130415-en.pdf; and United Nations, General Assembly-Economic and Social Council, *Economic and Social Repercussions of the Israeli Occupation on the Living Conditions of the Palestinian People in the Occupied Palestinian Territory, including East Jerusalem, and the Arab Population in the Occupied Syrian Golan*, May 8, 2015, online at http://unispal.un.org/unispal.nsf/0080ef30efce525585256c38006eacae/e40b9dc865916ae-

b85257e6000580750?OpenDocument; OCHA, *Fragmented Lives: Humanitarian Overview 2014*, pp. 9–10, 12. Also see United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Gaza: Initial Rapid Assessment*, August 27, 2014, p. 3, online at http://unispal.un.org/pdfs/GazaInitialRapidAssess_270814.pdf; United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Occupied Palestinian Territory: Gaza Emergency—Situation Report (as of 4 September 2014, 08:00hrs)*, September 4, 2014, online at http://www.ochaopt.org/documents/ocha_opt_sitrep_04_09_2014.pdf; and United Nations Office for the Coordination of Humanitarian Affairs, Occupied Palestinian Territory (OCHA), *Gaza Crisis: Facts and Figures*, October 15, 2014, online at http://www.ochaopt.org/content.aspx?id=1010361.

20. UNRWA facilities also provided critically needed shelter. See United Nations Relief and Works Agency (UNRWA), *Gaza Situation Report (Issue No. 69)*, Gaza Strip, November 11, 2014; and GISHA, *More than 30,000 People Are Still Living in UNRWA Schools in Gaza. What Does That Look Like?* (Tel Aviv: Legal Center for Freedom of Movement, November 13, 2014), online at http://gisha.org/en-blog/2014/11/13/more-than-30000-people-are-still-living-in-unrwa-schools-in-gaza-what-does-that-look-like. For a more general overview of the effects of forced displacement, see Shir Hever, *The Economic Impact of Displacement: Analysis of the Economic Damage caused to Palestinian Households as a Result of Displacement by Israeli Authorities*, Norwegian Refugee Council, April 2015.

21. Human Rights Council, *Report of the Detailed Findings of the Independent Commission of Inquiry Established Pursuant to Human Rights Council Resolution S-21/1, Executive Summary*, June 24, 2015, p. 6, online at http://www.ohchr.org/EN/HRBodies/HRC/CoIGazaConflict/Pages/ReportCoIGaza.aspx#report.

22. OCHA, *Gaza: Initial Rapid Assessment*, pp. 2–3, 13; and Office of the United Nations Special Coordinator for the Middle East Peace Process (UNSCO), *Report to the Ad Hoc Liaison Committee*, May 27, 2015, p. 21, online at http://www.unsco.org/Documents/Special/UNSCO%20report%20to%20AHLC%20-%20May%202015.pdf.

23. OCHA, *Gaza: Initial Rapid Assessment*, p. 2.

24. UNSCO, *Report to the Ad Hoc Liaison Committee*, p. 21. Also see Toine Van Teeffelen, "Letters & Diaries: No Children Anymore," *Palestine-Family.net*, July 30, 2014, online at http://www.palestine-family.net/index.php?nav=5-15&cid=6&did=9284&pageflip=1. Also see Jesse Singal, "A Youth-PTSD Catastrophe Is Brewing in Gaza," *New York Magazine*, July 22, 2014, online at http://nymag.com/scienceofus/2014/07/youth-ptsd-catastrophe-is-brewing-in-gaza.html.

25. Gunness, *Abandoned yet Central*; and OCHA, *Gaza: Initial Rapid Assessment*, p. 15.

26. OCHA, *Gaza: Initial Rapid Assessment*, p. 15.

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33. United Nations Conference on Trade and Development (UNCTAD), *Report on UNCTAD Assistance to the Palestinian People: Developments in the Economy of the Occupied Palestinian Territory* (Geneva: UNCTAD, September 2015), p. 8, online at http://unctad.org/en/PublicationsLibrary/tdb62d3_en.pdf.

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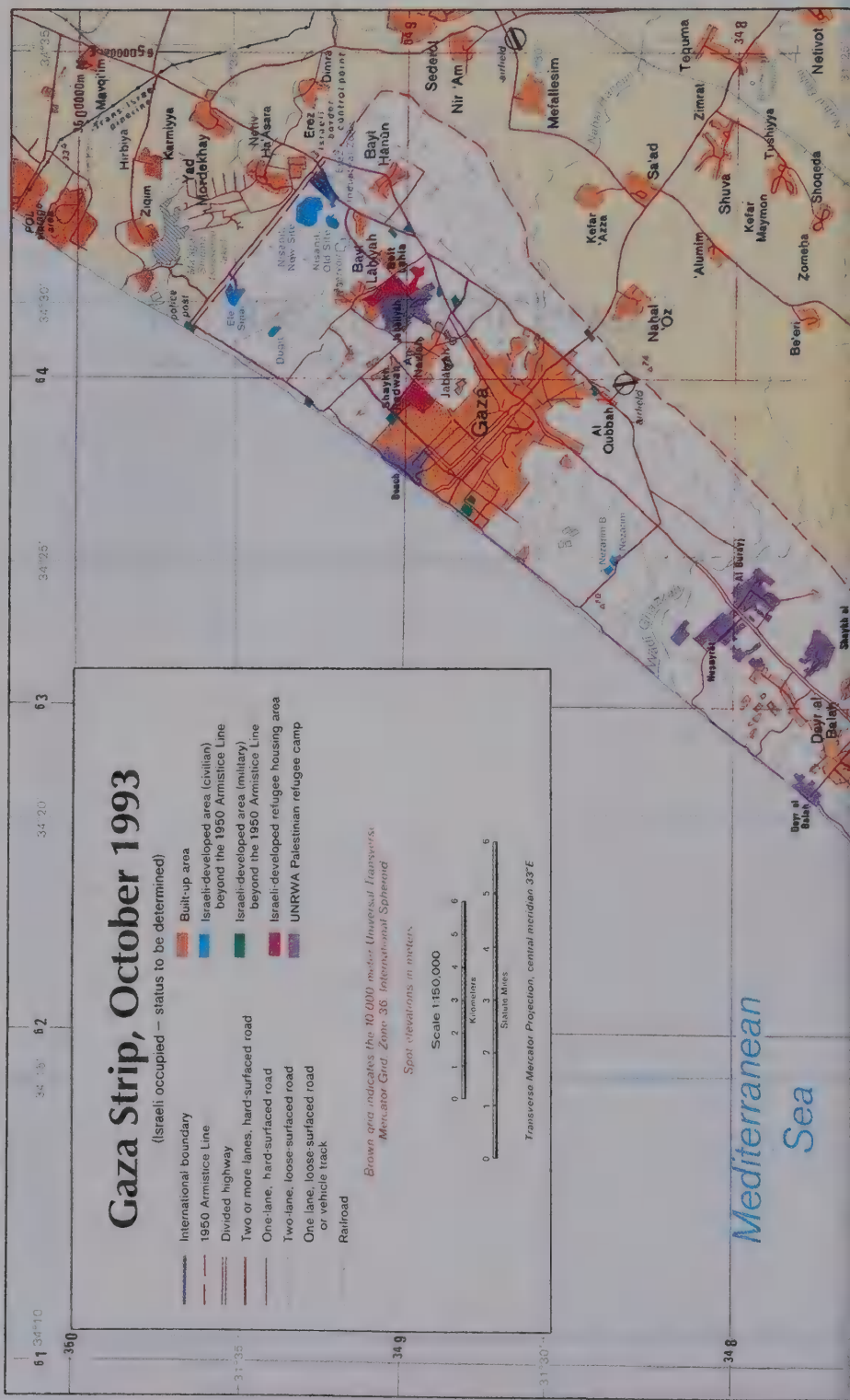
MAPS AND DOCUMENTS


Gaza Strip, October 1993
(Israeli occupied – status to be determined)
International boundary
1950 Armistice Line
Divided highway
Two or more lanes, hard-surfaced road
One-lane, hard-surfaced road
Two-lane, loose-surfaced road
One lane, loose-surfaced road or vehicle track
Railroad
Built-up area
Israeli-developed area (civilian) beyond the 1950 Armistice Line
Israeli-developed area (military) beyond the 1950 Armistice Line
Israeli-developed refugee housing area
UNRWA Palestinian refugee camp
Brown grid indicates the 10 000 meter Universal Transverse Mercator Grid, Zone 36, International Spheroid
Spot elevations in meters
Scale 1:150,000
Kilometers
Statute Miles
Transverse Mercator Projection, central meridian 33°E
Mediterranean Sea
Gaza
Al Qubbah
Nahal 'Oz
Kefar 'Azza
Sa'ad
Shuva
Kefar Maymon
Zomeha
Shoqeda
Netivot
Tequma
Zimrat
Tushiyya
Mefallesim
Nir 'Am
Sederot
Bayt Hanun
Bayt Lahiyah
Jabalyah
Shaykh Radwan
Ziqim
Karmiyya
Yad Mordekhay
Hirbiya
Mavqi'im
Nezarim B
Nezarim
Al Burayj
Nusayrat
Deyr al Balah
Shaykh al
Beach
Dugit
Ele Sinai
police post
Nisanit New Site
Nisanit Old Site
Erez
Dimra
Nir Ha'Asara
Nahal Hanoy
Wadi Ghazzah
airfield
POL storage area
Trans-Israel pipeline
Israeli border control point
Nisanit Israeli Industrial Zone
Beit Lahia
Jabalyah
Al Nadiyah
Al Qubbah
Nezarim
Deyr al Balah
Shaykh al
Be'eri
Zomeha
Shoqeda
Netivot
Tushiyya
Kefar Maymon
Shuva
Zimrat
Tequma
Sa'ad
Kefar 'Azza
Nahal 'Oz
Al Qubbah
Mefallesim
Nir 'Am
Sederot
Erez
Dimra
Nir Ha'Asara
Nahal Hanoy
Bayt Hanun
Bayt Lahiyah
Ziqim
Karmiyya
Hirbiya
Mavqi'im
Trans-Israel pipeline
Nisanit Israeli Industrial Zone
Nisanit New Site
Nisanit Old Site
Dugit
Ele Sinai
Beit Lahia
Jabalyah
Al Nadiyah
Shaykh Radwan
Beach
Nezarim B
Nezarim
Wadi Ghazzah
Al Burayj
Nusayrat
Deyr al Balah
Shaykh al
Deyr al Balah
34°10'
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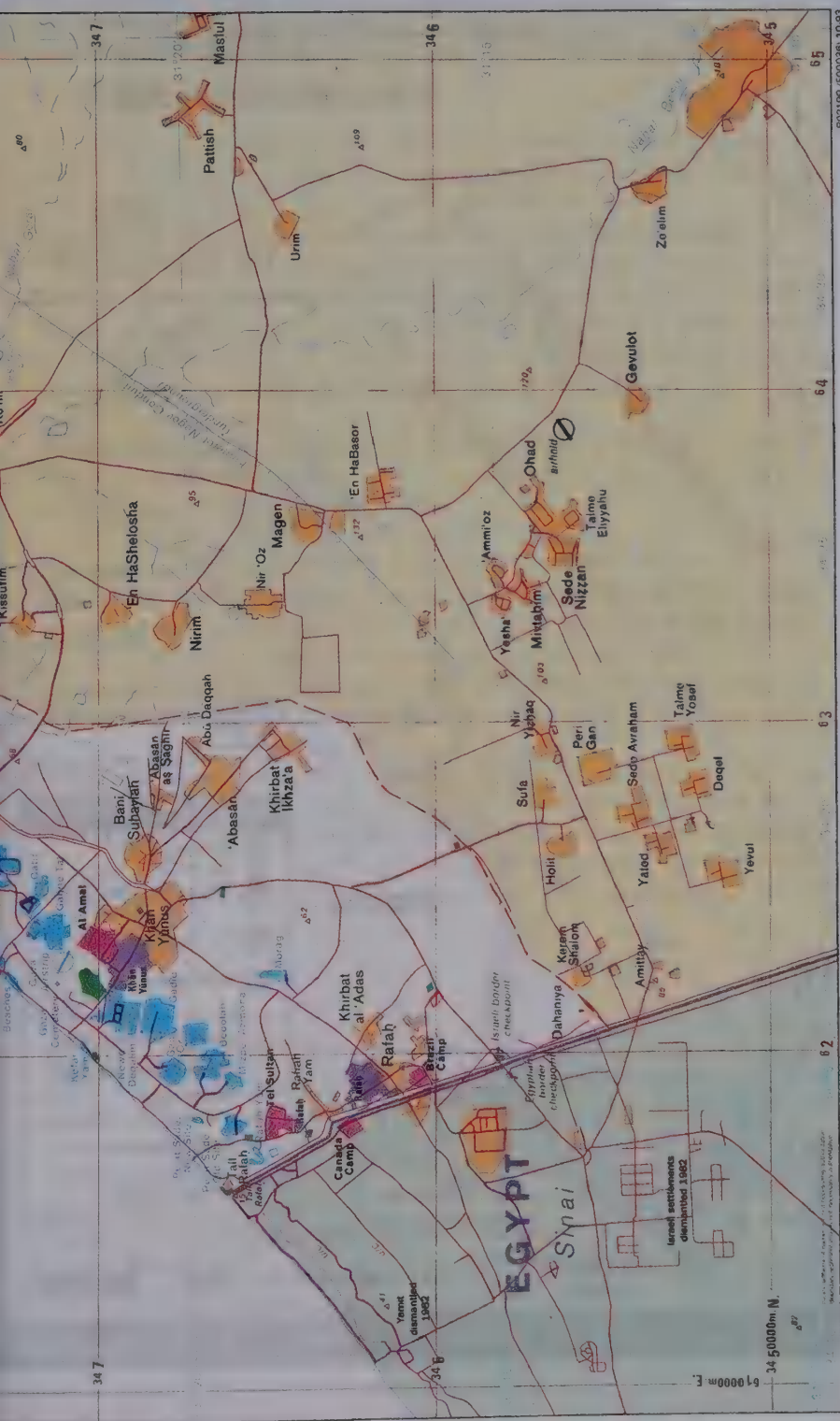
Maslul
Pattish
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Ohad
Talme Eliyyahu
Sede Nizzan
'Ammi'oz
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Yesha'
'En HaBasor
Magen
Nir 'Oz
'En HaShelosha
Nirim
Kissufim
Abu Daqqah
'Abasan aş Şaghir
Bani Suhaylah
'Abasan
Khirbat Ikhza'a
Al Amal
Khan Yunus
Khirbat al 'Adas
Rafah
Brazil Camp
Rafah Yam
Tel Sultan
Canada Camp
Tall Rafah
Yamit dismantled 1982
Israeli settlements dismantled 1982
Dahaniya
Kerem Shalom
Amittay
Holit
Sufa
Nir Yichaq
Peri Gan
Sede Avraham
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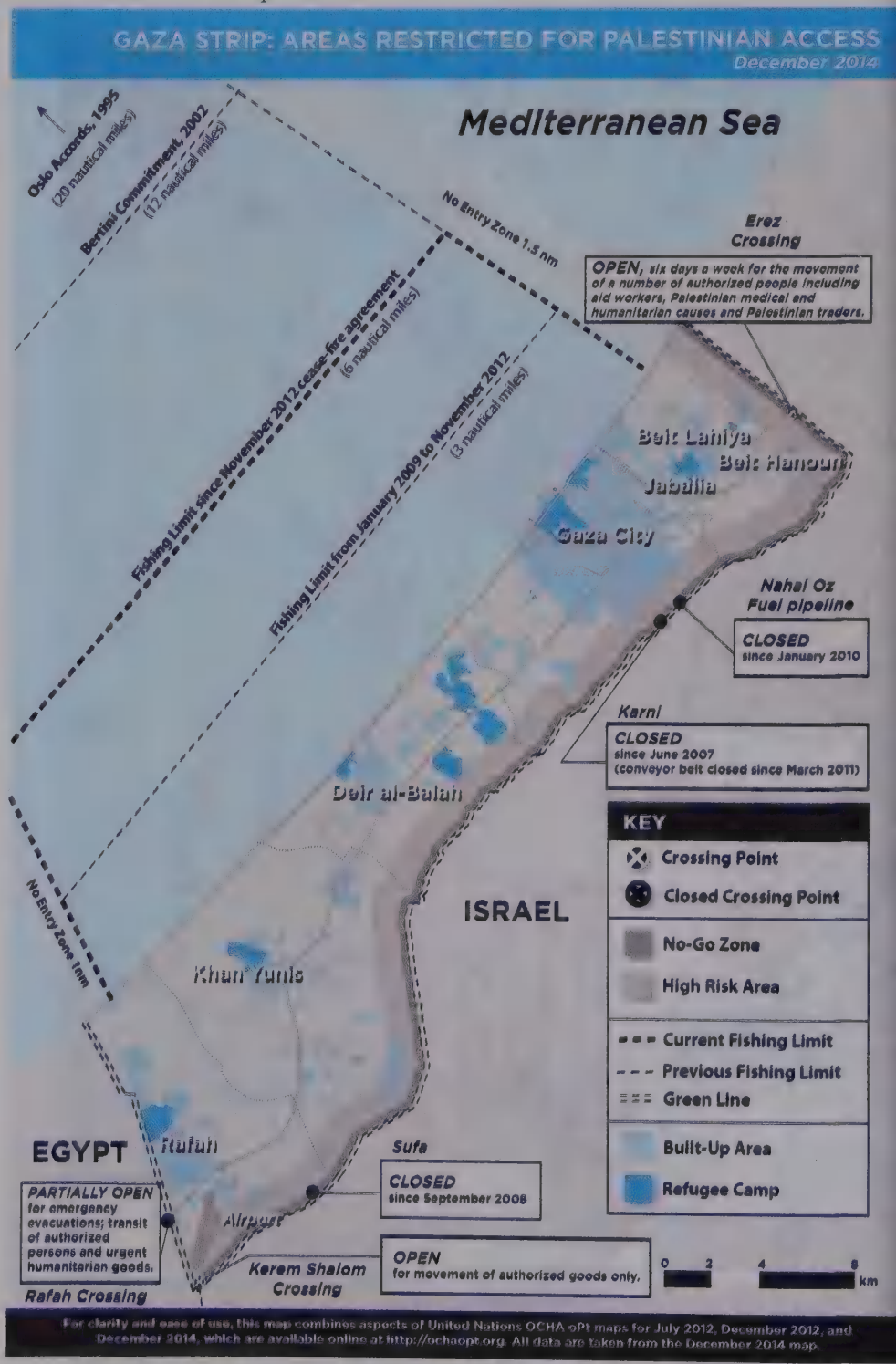

For clarity and ease of use, this map combines aspects of United Nations OCHA oPt maps for July 2012, December 2012, and December 2014, which are available online at http://ochaopt.org. All data are taken from the December 2014 map.

Excerpts from a letter to EU High Representative Catherine Ashton from the European Eminent Persons Group on the Middle East Peace Process, April 19, 2013.

It is time to give a stark warning that the Occupation is actually being entrenched by the present Western policy. The Palestinian Authority cannot survive without leaning on Israeli security assistance and Western funding and, since the PA offers little hope of progress towards self-determination for the Palestinian people, it is fast losing respect and support from its domestic constituency. The steady increase in the extent and population of Israeli settlements, including in East Jerusalem, and the entrenchment of Israeli control over the OT in defiance of international law, indicate a permanent trend towards a complete dislocation of Palestinian territorial rights.

We have reached the conclusion that there must be a new approach. Letting the situation lie unaddressed is highly dangerous when such an explosive issue sits in such a turbulent environment.

For all the good sense of EU statements on this issue over the years, the EU's inactivity in the face of an increasingly dangerous stagnation is both unprincipled and unwise. European leaders cannot wait forever for action from the United States when the evidence accumulates of American failure to recognise and promote the equal status of Israelis and Palestinians in the search for a settlement, as accepted in United Nations resolutions.

Later generations will see it as unforgivable that we Europeans not only allowed the situation to develop to this point of acute tension, but took no action now to remedy the continuing destruction of the Palestinian people's right to self-determination. We regard it as essential for EU interests that the Council of Ministers and you take rapid action to correct this unacceptable state of affairs.

Signed,

Guiliano Amato, Former Prime Minister of Italy
Frans Andriessen, Former Vice-President of the European Commission
Laurens Jan Brinkhorst, Former Vice-Prime Minister of the Netherlands
John Bruton, Former Prime Minister of Ireland
Benita Ferrero-Waldner, Former European Commissioner and Former Foreign Minister of Austria
Teresa Patricio Gouveia, Former Foreign Minister of Portugal
Jeremy Greenstock, Former UK Ambassador to the UN and Co-Chair of the EEPG
Lena Hjelm-Wallén, Former Foreign Minister and Deputy Prime Minister of Sweden

Wolfgang Ischinger, Former State Secretary of the German Foreign Ministry and Co-Chair of the EEPG
Lionel Jospin, Former Prime Minister of France
Miguel Moratinos, Former Foreign Minister of Spain
Ruprecht Polenz, Former Chairman of the Foreign Affairs Committee of the German Bundestag
Pierre Schori, Former Deputy Foreign Minister of Sweden
Javier Solana, Former High Representative and Former NATO Secretary-General
Peter Sutherland, Former EU Commissioner and Director General of the WTO
Andreas van Agt, Former Prime Minister of the Netherlands
Hans van den Broek, Former Netherlands Foreign Minister and Former EU Commissioner for External Relations
Hubert Védrine, Former Foreign Minister of France and Co-Chair of the EEPG
Vaira Vike-Freiberga, Former President of Latvia

Gaza Reconstruction Mechanism

The Government of Israel (GoI), the Palestinian Authority (PA) and the United Nations (UN) hereby agree:

The following mechanism shall apply only between the GoI, PA and UN in their mutual relations within the framework of the reconstruction of the Gaza Strip.

Implementation of the following mechanism is subject to the current security situation.

The mechanism enables the parties to:

a. Provide security assurances to the GoI,
b. Work at the scale required in the Gaza strip
c. Enable the PA to play the lead role in the reconstruction effort of the Gaza Strip, including the prioritization of projects.
d. Assure donors that any investments will be implementable without delay.

MECHANISM PARAMETERS:

There are five over-arching parameters for this reconstruction mechanism:

1. Satisfy Israeli security concerns related to the use of construction and dual use material, particularly as related to the monitoring and tracking of material for large scale works;
2. The PA leads the reconstruction of the Gaza Strip, and bear overarching responsibility for its execution, with the UN perform a key role in the monitoring function.
3. Formal and public communication in order to allow all donors to avail themselves of it;
4. The GoI will approve the proposed UN Program of Works upon receipt of basic composition (e.g. schools, housing projects, etc.) and their general locations.
5. The parties would take measures to ensure sufficient crossing capacity.

The following section provides greater detail on two specific streams through which this mechanism would work. The mechanisms outlined below could be made available to other parties wishing to conduct work in the Gaza strip, including using independent UN monitoring and verification processes in support of those works.

A high level steering team (HLST), comprised of representatives of GoI, PA and the UN, would be established to ensure all processes move forward smoothly and to address any challenges that arise.

CONSTRUCTION

1. **For PA led construction**

Purpose:

- This approach would enable access to Aggregates, Reinforcing Bars, Cement and other dual use items (hereinafter: **ABC**) for both large scale construction (e.g. factories, housing projects, schools) as well as small-scale construction (e.g. housing reconstruction/rehabilitation).
- Process is predicated on the establishment of a central IT database that registers import and transfer of ABC, and their resale within the Gaza Strip, and grants online access to the PA, GoI and UN. The database would be setup and hosted by a reputable entity (e.g. a major auditing company or possibly a UN entity).
- The PA vets all vendors, contractors, concrete batching and brick producing factories utilized under this arrangement. GoI reserves the right to object to any of the above on security grounds.
- Further conditions regarding the entry of specialized dual use items may be placed upon approval.

Assessment of civilian needs survey:

An initial and general assessment of the civilian needs is conducted by the PA or the UN, prior to the following, which would provide a tentative:

  - Preliminary indication of the volume of works (i.e. 2000 shelters) per area (region/ locality)
  - preliminary indication of amount of ABC required per area (region/locality)
- A comprehensive survey of the civilian needs would be presented by the PA to the HLST, as a basis for an ABC request.

A – Private shelter and other rehabilitation works (small- scale)[1]

Process:

- PA (e.g. Ministry of Housing or Civil Affairs) vets a number of Palestinian vendors who are registered with the respective Chamber of Commerce to import ABC for resale to individuals seeking to carry out self-rehabilitation.
- PA would be responsible for the materials supplied to the private sector, while ensuring that the materials are delivered to PA selected and vetted vendors in Gaza only. PA-vetted vendors are allowed to import at a preset amount/quota of ABC on a periodic basis (quota increase subject to performance of mechanism).

[1] The definition of the upper limit of small scale works will be determined.

- Import quotas of vendors could be adjusted according to market requirements and compliance.
- Security precautions at storage facilities used by vendors will be taken in accordance with the provisions set in Annex B, and will be linked to and adjusted in accordance with volume of stock held.
- PA or the UN deploys surveyors to carry out assessments to civilian structures subject to rehabilitation:
    - Register eligible recipients into the central IT based database, e.g. Name, ID number, address/locality, family status and a brief description of the works and additional images.
    - Determine the amounts of ABC needed for the rehabilitation work. This would generate the maximum amount that individuals could procure. The calculation uses a pre-agreed guide. Should additional amounts be needed, a surveyor could modify the relevant report upon an additional assessment for further processing.
    - The processing duration between registering potential recipients by surveyors and their ability to purchase ABC shall be limited to two working days.
    - Eligible recipients would be granted a document that will allow the purchase from specific vendors.
- Sale of ABC by vendors to individuals is limited to individuals registered as eligible in the central database. Transfer of commodities would follow the successful logging of the transaction into the central database. Database system design would prevent repeat purchase or purchase beyond assigned quantity.
- No transfer of ABC between end–users would be allowed. Unused materials would be returned to vendors and registered in the central database.
- Vendors would only be able to log sales but not view other details.
- Process also enables limited rehabilitation of private sector facilities, e.g. factories, based on PA surveyor assessment, using a pre-agreed guide, and subject to same monitoring arrangement.

Monitoring:

- The PA monitors due-diligence measures and obligations by vendors in terms of registration. In case of irregularity the PA will suspend a vendor's license and in case of violations will delist the vendor.
- A UN inspection team would be tasked to carry out the following:
    - Random cross checks of surveyors' assessments [percentage rate to be determined],
    - Spot checks of end-users rehabilitation works [percentage rate to be determined],
    - Spot checks of vendors to confirm compliance with the mechanism.

- Given the three checks above, no additional end use monitoring would be undertaken for this type of works as the scale of the work required would not make this possible.

- Import of new quantities (replenishment of stock) would be against satisfactory reconciliation with sold/utilized quantities only via the central IT database.
- All parties could guide the focus of inspections towards specific areas or users in case of suspected irregularity.
- Spot checks would have to be repeated where majority of procured material was not yet utilized and note where material procured cannot be accounted for.
- Violations and irregularities shall be promptly logged into the central IT database.
- Violations of terms by vendors would lead to delisting and loss of import license. Irregularities discovered would lead to suspension of import license pending completion of inquiry into them.
- End-users found using ABC for purposes other than those declared will be barred from further purchases

B – Formal and Commercial level works (large-scale)[2]

Process:

This process would be followed both for PA works as well as for works carried out by the private sector submitted via the PA.

- The GoI will approve a PA Program of Works (prospectively presented at a Donors conference), upon receipt of basic composition (e.g. schools, housing projects, etc.) and their general locations.
- The PA submits designs and BoQs to the GoI (on behalf of a Palestinian commercial entity where applicable).
- The project submission will be registered into the central IT database reflecting a completed submission and processing duration.
- [The GoI will process the project submissions and BoQs within a predetermined time-frame which will be based on the category of the project [prospectively ANNEX C][3].
- PA would be responsible for the material supplied to the private sector and ensure that the material is delivered to PA vetted companies.
- PA, (e.g. Ministry of Housing or Civil Affairs), vet a number of Palestinian contractors who are registered with the respective Association of Contractors

[2] Works under this category are all those works not captured under small scale works.

[3] ANNEX C: [To this end, the sides will establish a list of categories/types which will be addressed by the GoI regarding the reasonable duration for the completion of the process, which will not exceed one year].

and vendors to import ABC for use in construction projects. The GoI reserves the right to refuse to delivery to contractors/vendors on security grounds.

- PA-vetted contractors and vendors are allowed to import at a preset amount/quota of ABC on a periodic basis.
- Sale of ABC to contractors by vendors would be for approved projects/BoQs only as appearing in the central IT database.
- Import quotas for contractors/vendors could be adjusted according to market requirements and compliance.
- Vendors/contractors violating above terms will be delisted and lose import license.

Monitoring:

- The PA will monitor due-diligence measures/obligations by contractors.
- Inspection would also be undertaken by a UN team using the inspection procedures of UN led projects (see; Annex A), in conjunction with PA ministry led inspections.
- Import of new quantities (replenishment of stock) would be against reconciliation with sold/utilized quantities only via the central IT database.
- Security precautions at storage facilities used by contractors and vendors will be taken in accordance with the provisions set in Annex B, and will be linked to and adjusted in accordance with volume of stock held.

2. For UN projects

Purpose:

- This approach is based on the December 2013 adopted procedure with some amendments to ensure a more efficient process to help meet the increased scale of works.
- The approach would also allow for the expanded role of the Palestinian private sector in the implementation of UN construction works.

Process:

- The GoI approves Program of Works upon receipt of basic composition (e.g. schools, housing projects etc.) and their general locations.
- The UN will submit the BoQs to the GoI which will immediately authorize the entry of a preset percentage of the required quantities of the BoQs while the BoQs continue to be processed by the GoI along the time lines determined in the aforementioned categories list.
- As vendor/contractor capacity in the Gaza Strip grows sufficiently, the UN may procure from Palestinian vendors who would use UN endorsed BoQs with authorized vendors.

Monitoring:

- The UN will monitor contract compliance and report via the central IT database, as outlined in annex A.
- Security precautions at storage facilities used by contractors and vendors will be taken in accordance with the provisions set in Annex B, and will be linked to and adjusted in accordance with volume of stock held.

The parties consider this to be a temporary access mechanism that can be adjusted to changed circumstances through the HLST and with agreement of all three parties.

ANNEX A –

Monitoring of Compliance

1. The PA and/or the UN assures the GoI that it will undertake the following steps regarding each specific project:
    a. Fulfillment of the UN vetting process in relation to contractors and inclusion of the UN anti-terrorism contract clause;
    b. The remains of mixed concrete will be used specifically for other approved projects subject to the prompt update of CLA Gaza via the central IT database;
    c. Details of implementing contractors and suppliers will be updated in the central IT database;
    d. Ensures that material which departs the crossing and arrives on-site/warehouse matches the description of the manifest;
    e. The PA/UN undertakes to report theft incidents to the CLA Gaza, and update the central IT database immediately upon discovery, should they occur and the measures taken in this regard.

2. Concrete mixing and brick factories:
    a. Security measures will be taken in accordance with GoI specifications;
    b. All receipt of cement, production and dispatch of concrete shall be regularly logged in the central IT databse;
    c. Constant presence of the UN and daily inspections by a UN international staff member in the concrete mixing factory during the mixing for the projects;
    d. When cement is stored at the factory the provisions of annex B shall apply.

3. The PA and/or the UN will ensure sufficient resources to monitor the projects.

4. The PA and/or the UN shall provide tracking mid and end reports to the CLA Gaza, and the HLST when desired. Supplementary reports to be provided where duration between reports exceeds three months. Reports shall include:
    a. Percentage of the project's overall progress;
    b. Pictures of the project's progress;
    c. Additional requirements to complete the project.
    d. Additional comments.

Annex B

Warehouses and storage facilities security measures

1. The UN and/or PA assures the GoI that it will undertake the following steps regarding each specific storage facility:
    a. Report the location of all warehouses/storage facilities;
    b. Warehouse and storage facility security arrangements, including, for example, placing surveillance cameras and/or guards on site;
    c. Any Transfer of commodities shall be promptly logged into the central IT database.
    d. Spot inspections by a UN international staff member in the warehouses/storage facility to insure compliance.
    e. The GoI reserves the right to refuse authorization based on security grounds.

2. **Heavy machinery (trucks, bulldozers etc.) supervision**: extra measures of control shall be undertaken, specifically for off-duty hours (e.g. GPS monitoring, central supervision, any movement in and out of the off-duty parking site shall be promptly logged into the central IT database), in addition to the security measures mentioned above.

3. Security precautions at warehouses and storage facilities will be linked to the volume of stock held.

Annex C

To Be Determined

Materials Monitoring Unit Project
Project Initiation Document

Date:

September 2014

Version 0

Office of the United Nations Special Coordinator for the Middle East Peace Process

UNOPS

Project Period: Oct 2014 – Sept 2015
Project title: Materials Monitoring Unit
Total resources required: US$ 9,177,404

Agreed by: (to be signed)

Mr. Robert Serry
United Nations Special Coordinator for the Middle East Peace Process

Mr. Nick O'Regan
Director, Jerusalem Operations Centre, United Nations Office for Project Services

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List of Abbreviations

ACU	United Nations Access Coordination Unit
BoQ	Bill of Quantities
CCTV	Closed Circuit Television
COGAT	Coordination of Government Activities in the Territories
GoI	Government of Israel
GoP	Government of Palestine
HLST	High Level Steering Team
HQCPC	UNOPS Headquarters Contracts and Procurement Committee
HRM	Human Resource Management
ICT	Information and communication technology
IDP	Internally Displaced Person
JMOC	UNOPS Jerusalem Operations Center
MCM	million cubic meters
MIRA	Multi-Cluster Initial Rapid Assessment
MMU	Materials Monitoring Unit
NGO	Non-Government Organization
OCHA	United Nations Office for Coordination of Humanitarian Affairs
oPt	occupied Palestinian territories
PASF	Palestinian Authority Security Forces
PHC	Primary Health Centre
PMO	Project Management Office
PSC	Project Steering Committee
UN	United Nations
UNEP	United Nations Environment Programme
UNOPS	United Nations Office for Project Services
UNSCO	Coordinator of the Office of the United Nations Special Coordinator
WHO	World Health Organization

1.0 Project Definition

Background

The following overview is extracted primarily from the multi-cluster initial rapid assessment (MIRA) produced by OCHA in September 2014[1] and the UN document Gaza 2020: A livable Place.[2] On 7 July 2014, the Israeli army launched a military operation code-named "Protective Edge", in the Gaza Strip, following several weeks of escalation. The scale of destruction, devastation and displacement wreaked in the 50 days of conflict that ensued is unprecedented in Gaza, since at least the start of the Israeli occupation in 1967. Following several short-lived cease-fires, on 26 August, the parties to the conflict reached an open-ended cease-fire.

On 13, 18 and 19 August, under the coordination of OCHA, a Multi-Cluster/Agency Initial Rapid Assessment (MIRA) was carried out in Gaza with the aim of gathering baseline information on the needs arising from the military operation, and informing the humanitarian response. A 400-point questionnaire was developed and the assessment teams, drawn from the relevant clusters, UN agencies, NGOs, and line ministries visited all five governorates and 25 municipalities in Gaza. The list of informants included community leaders, NGOs, CBOs, mayors, teachers, youths, IDPs, health experts, and representatives from the electricity and water utilities. Below is a summary of the reconstruction findings outlined in the report.

Some 13 per cent of the entire housing stock in Gaza, comprising 44,300 housing units, is affected. Approximately 5 per cent of the housing stock is uninhabitable: an estimated 18,000 housing units have been either destroyed or severely damaged, leaving more than 108,000 people homeless. This is in addition to the pre-crisis housing deficit of 71,000 housing units, due to people living in overcrowded or inadequate conditions.

Between 20 and 30 per cent of water and sewage networks remain damaged, mostly in the former Israeli-imposed three-kilometer buffer zone. Some 30 to 50 per cent of water storage capacity at the household level is damaged, putting a particular strain on host families. Water, when available, is rarely adequate because of reduced network pressure from damage and power cuts. Households with no electricity and/or supplemental pumps cannot fill rooftop storage tanks even when water is available. Damage to treatment plants and energy shortages has also resulted in an increase in the discharge of raw sewage into the environment. Although solid waste is being collected in most areas, collection is less frequent than usual and the waste is gathered in temporary sites within communities, rather than dumped in designated landfills.

The new school year, scheduled to start on 24 August, has been postponed to 14 September, impairing more than half a million children's access to education. Twenty-six schools have been completely destroyed and 122 damaged during the conflict At least 11 higher education facilities have also been affected.

During the conflict, at least 17 out of 32 hospitals were damaged and six closed down as a result (three remain closed). Out of 97 primary health centres (PHC) monitored for damage and closures, 45 reported damage and 17 were closed. Four are completely destroyed.

The above represents an initial rapid assessment of priority areas and does not even go as far as looking into the long term construction efforts required in Gaza to bring Gaza infrastructure to an acceptable level where society can proposer and grow. These longer term efforts will be outlined in the Palestine Early Recovery and Reconstruction Plan 2014-2017 to be released in October 2014.

[1]Background extracted from the MIRA produced by OCHA September 2014. MIRA is short for multi-cluster initial rapid assessment.
[2] "Gaza 2020: A livable Place? (published in August 2012) [online]
Available at http://www.unrwa.org/userfiles/file/publications/gaza/Gaza%20in%202020.pdf
[accessed 12 September 2014]

The damage to housing and infrastructure has compounded an already dire situation in Gaza. *"Any peace effort that does not tackle the root causes of the crisis will do little more than set the stage for the next cycle of violence."*[3] The inadequate infrastructure of Gaza cannot support an appropriate level of human development and allow people to enjoy their right to an adequate standard of living. To not address this will only perpetuate the miserable conditions of Gaza and with this, one root cause of the conflict. By the year 2020 the population of Gaza will increase to around 2.1 million, from an estimated 1.6 million people today. The substantial population growth rate will thus add some 500,000 people to a living area which is restricted and already heavily urbanized.

Fundamental infrastructure in electricity, water and sanitation, municipal and social services, is struggling to keep pace with the needs of the growing population. By 2020, electricity provision will need to double to meet demand, damage to the coastal aquifer will be irreversible without immediate remedial action, and hundreds of new schools and expanded health services will be needed for an overwhelmingly young population. Tens of thousands of housing units were already needed prior to the conflict.

It will be essential to ensure the provision of basic infrastructure (particularly water/sanitation and electricity) and improved social services (particularly health and education). The Gaza Strip receives most of its power from Israel and Egypt. The supply currently does not meet the demand, which is expected to increase more than twice by 2020. As highlighted by reports of the World Bank and the United Nations Environment Programme (UNEP), the situation in relation to water and sanitation for the Palestinians of Gaza is critical.

With no perennial streams and low rainfall, Gaza relies almost completely on the underlying coastal aquifer, which is partly replenished by rainfall and runoff from the Hebron hills to the east, with the recharge estimated at 50 to 60 million cubic metres (MCM) annually. Current abstraction of water from the aquifer, at an estimated 160 MCM per year to meet current overall demand, is well beyond that. As groundwater levels subsequently decline, sea water infiltrates from the nearby Mediterranean sea salinity levels have thus risen well beyond guidelines by the World Health Organization (WHO) for safe drinking water. This pollution is compounded by contamination of the aquifer by nitrates from uncontrolled sewage, and fertilizers from irrigation of farmlands. Today 90% of water from the aquifer is not safe for drinking without treatment. Availability of clean water is thus limited for most Gazans with average consumption of 70 to 90 litres per person per day (depending on the season), below the global WHO standard of 100 litres per person per day. The aquifer could become unusable as early as 2016, with the damage irreversible by 2020. UNEP recommends ceasing abstraction immediately as it would otherwise take centuries for the aquifer to Indicator Value. Huge investment in water and sanitation infrastructure is needed recover. Even with remedial action now to cease abstraction, the aquifer will take decades to recover. Meanwhile the Palestinian Water Authority (PWA) expects that by 2020 the demand for fresh water will increase of some 60% over current levels of abstraction from the aquifer. The situation with regard to treatment of waste water or sewage is no less problematic, with huge investment in treatment facilities and associated infrastructure desperately needed to cope with the existing demand, let alone for the future.

It is suffice to say that the level of reconstruction required in Gaza is enormous, unprecedented and urgent.

An ongoing concern for the Government of Israel (GoI) however that will limit the GoP ability to undertake reconstruction is what the GoI calls *'dual use items'*. These are items that the GoI describes as,' *liable to be used, side by side with their civilian purposes, for the development, production, installation or enhancement of military capabilities and terrorist capacities*[4] . For example, cement, and reinforcing bar could be diverted from civilian buildings to be used in fortifications or tunnel construction in the GoI opinion. This fear of dual use is one of the stated reasons Israel maintains the blockade on Gaza and has been the principal cause for failure in the previous

[3] Statement attributable to the Spokesman for the UN Secretary-General, 26 August

[4] Dual list items as described by the Ministry of Foreign affairs, September 2014, http://www.mfa.gov.il/mfa/foreignpolicy/peace/humanitarian/pages/lists_controlled_entry_items_4-jul-2010.aspx

reconstruction efforts in Gaza. This must be overcome if reconstruction of essential services is going to occur.

The GoI, GoP and the United Nations (UN) have agreed on a mechanism of materials monitoring led by the PA and facilitated by the UN that will reduce the GoI security concerns sufficiently enough to permit dual use items imports into Gaza. The aim is to enable not only reconstruction of Gaza, but hopefully a transformation of Gaza that will create infrastructure networks that will support an appropriate level of human development and that people enjoy their right to an adequate standard of living..

Project Overview

The project seeks to establish a materials monitoring unit (MMU) led by UNSCO on behalf of the UN and GoP that can monitor approvals, entry, supply and use of dual use items, (hereinafter: ABC) in Gaza. As this process is fundamentally to facilitate the access of dual use construction materials into Gaza, the MMU will be established as part of the Access Coordination Unit (ACU) to capitalise on existing knowledge, processes and communication structures and channels. At the high level the project essentially seeks to mobilize a multi-disciplined team located in Gaza that will monitor the supply chain of dual use items in efforts to ensure they are used for the purpose approved. This would be facilitated through the use of a database, GPS tracking systems, CCTV at storage facilities and a team of engineers, quantity surveyors, stock monitors, etc to monitor storage facilities, suppliers, concrete batch plants, block and tile makers as well as repair and constructions sites. Data would collected through static and mobile devices and managed in a central database capable of producing reports that satisfy information needs. The database development and mobile application development are part of this project.

The following outlines which principle activities will delivered to facilitate the functions of the MMU.

GoP will;

- Participate actively and with appropriate authority on the project board and high level steering team.
- GoP will lead the work stream 1 – GoP led construction activities.
- Approve Gaza based vendors
- Sponsor shelter and large scale projects

UNSCO will provide;

- Project governance.
- management and oversight.
- Accountability for outputs.
- External project communications.
- External stakeholder liaison.

UNOPS will provide administrative support (PMO - project management office functions) in the terms of;

- Human resources (recruitment and contact administration).
- Finance.
- Budget management.
- Logistics.
- Fleet management.
- Financial reporting.
- Procurement.
- project administration/coordination (risk, issue, exception, communication secretariat services).

Monitoring Process

The following outlines the monitoring mechanism between the GoI, GoP and UN in their mutual relations within the framework of the reconstruction of the Gaza Strip. This mechanism only applies between the GoI, GoP and UN in their mutual relations within the framework of the reconstruction of the Gaza Strip. Implementation of the following mechanism is subject to the current security situation.

The mechanism enables the parties to;

a. Provide security assurances to the GoI.
b. Work at the scale required in the Gaza strip.
c. Enable the GoP to play the lead role in the reconstruction effort of the Gaza Strip, including the prioritization of projects.
d. Assure donors that any investments will be implementable without delay.

There are five over-arching parameters for this reconstruction mechanism;

1. Satisfy Israeli security concerns related to the use of construction and dual use items, particularly as related to the monitoring and tracking of material for large scale works.
2. The GoP leads the reconstruction of the Gaza Strip, and bear overarching responsibility for its execution, with the UN perform a key role in the monitoring function.
3. Formal and public communication in order to allow all donors to avail themselves of it.
4. The GoI will approve the proposed UN Program of Works upon receipt of basic composition (e.g. schools, housing projects, etc.) and their general locations.
5. The parties would take measures to ensure sufficient crossing capacity.

The following section provides greater detail on two specific work streams through which this mechanism would work.

Work stream 1 - GoP led construction

Work stream 1a - GoP led large scale reconstruction

This work stream would enable access to ABC and other dual use items for both large scale constructions (e.g. factories, housing projects, schools) as well as small-scale repairs and construction (e.g. housing reconstruction/rehabilitation). Highlights of the process include;

- Process is predicated on the establishment of a central IT database that registers import and transfer of ABC and their resale within the Gaza Strip, as well as heavy machinery for use, and grants online access to the GoP, GoI and UN. The database would be setup and hosted by UNOPS .
- The GoP vets all vendors, contractors, concrete batching and brick producing factories utilized under this arrangement. Import of new quantities (replenishment of stock) would be against reconciliation with sold/utilized quantities only via the central IT database.
- All parties could guide the focus of inspections towards specific areas or users in case of suspected irregularity.
- Spot checks would have to be repeated where majority of procured material was not yet utilized and note where material procured cannot be accounted for.
- Violations and irregularities shall be promptly logged into the central IT database.
- Violations of terms by vendors would lead to delisting and loss of import license. Irregularities discovered would lead to suspension of import license pending completion of inquiry into them.
- End-users found using dual use items for purposes other than those declared will be barred from further purchases.

Monitoring of work stream 1 would consist of the following;

- Random cross checks of surveyors' assessments [percentage rate to be determined].
- Spot checks of end-users rehabilitation works [percentage rate to be determined].

- Spot checks of vendors to confirm compliance with the mechanism.
- Given the three checks above, no additional end use monitoring would be undertaken for this type of works as the scale of the work required would not make this possible.

Work stream 1b – GoP led private shelter and other small scale rehabilitation works

Work stream 1b is GoP led private shelter and other small scale rehabilitation works for the rehabilitation of small private facilities. The upper limit of 'small' is still to be defined but it is intended to facilitate the rehabilitation of private facilities such as small factories and dwellings both single and multi-family in nature. Highlights of the process include;

- GoP (e.g. Ministry of Housing or Civil Affairs) vets a number of Palestinian vendors who are registered with the respective Chamber of Commerce to import ABC for resale to individuals seeking to carry out self-rehabilitation.
- GoP would be responsible for the materials supplied to the private sector, while ensuring that the materials are delivered to GoP selected and vetted vendors in Gaza only. GoP-vetted vendors are allowed to import at a preset amount/quota of ABC on a periodic basis (quota increase subject to performance of mechanism).
- Import quotas of vendors could be adjusted according to market requirements and compliance.
- Security precautions at storage facilities used by vendors will be taken in accordance with the provisions set in Annex 1, and will be linked to and adjusted in accordance with volume of stock held.
- GoP or the UN deploys surveyors to carry out assessments to civilian structures subject to rehabilitation.
- Sale of ABC by vendors to individuals is limited to individuals registered as eligible in the central database. Transfer of commodities would follow the successful logging of the transaction into the central database. Database system design would prevent repeat purchase or purchase beyond assigned quantity.
- No transfer of ABC between end–users would be allowed. Unused materials would be returned to vendors and registered in the central database.
- Vendors would only be able to log sales but not view other details.

Monitoring of small scale rehabilitation would consist of the following;

- The GoP will monitor due-diligence measures/obligations by contractors.
- Inspection would also be undertaken by a UN team using the inspection procedures of UN led projects (see; Annex 1), in conjunction with GoP ministry led inspections.
- Import of new quantities (replenishment of stock) would be against reconciliation with sold/utilized quantities only via the central IT database.
- Security precautions at storage facilities used by contractors and vendors will be taken in accordance with the provisions set in Annex 1, and will be linked to and adjusted in accordance with volume of stock held.

The mechanisms outlined above could be made available to other parties wishing to conduct work in the Gaza strip, including using independent UN monitoring and verification processes in support of those works.

Stream 2 – UN lead reconstruction

This stream is founded on the agreed process between the UN and the GoI in December 2013 system with some amendments to ensure a more efficient process to help meet the increased scale of works and will be used for UN led projects. The approach would also allow for the expanded role of the Palestinian private sector in the implementation of UN construction works. High lights of this procedure include;

- The GoI approves Programme of Works upon receipt of basic composition (e.g. schools, housing projects etc.) and their general locations.

- The UN will submit the BoQs to the GoI which will immediately authorize the entry of a preset percentage of the required quantities of the BoQs while the BoQs continue to be processed by the GoI along the time lines determined in the aforementioned categories list.
- As vendor/contractor capacity in the Gaza grows sufficiently, the UN may procure from Palestinian vendors who would use UN endorsed BoQs with authorized vendors.

Monitoring of UN led projects would consist of the following;

- The UN will monitor contract compliance and report via the central IT database.
- Security precautions at storage facilities used by contractors and vendors will be taken in accordance with the provisions set in Annex 1, and will be linked to and adjusted in accordance with volume of stock held.

For greater detail on the full monitoring mechanism see Annex 1 - Dual Use Construction Material Monitoring to facilitate Access for the Reconstruction of Gaza and Annex 2 – Monitoring Process Flow Diagrams.

Constraints, Exclusion and Assumptions

The following constraints, exclusions and assumptions have been made in producing this project initiation document;

- GoI support the implementation in a reasonable and timely manner.
- The GoI allows access for all equipment required for the project in a timely manner.
- The security and political situation in Gaza does not deteriorate to a level preventing project implementation.
- Any additional costs associated with a deteriorating security or political situation will need to be addressed through a project scope or budget amendment.
- No serious disruption to works, for example strikes.
- Financial, budgetary or scope fluctuations will be managed through amendment.
- The cost of building material purchase, transportation and storage will not be on this project.
- The cost of new plant and equipment imported will not be on this project.
- Costs of delays to any party resulting from delays in the approval and/or monitoring process will not be on this project.
- Costs of producing drawings, bills or quantities and other technical documentation to a level acceptable by the MMU, GoP and GoI will not be on this project.
- Cost of purchasing, installing and operating essential monitoring equipment such as CCTV, GPS, fencing, power and etc unless otherwise explicit in the attached budget will not be on this project.
- Losses resulting from exchange rate variations, deteriorating security situation or acts of forced majure will not be on this project.
- Costs of additional unforeseen restrictions and/or rejections from the GoI will not be on this project.

2.0 Project Approach

Inputs

A MMU project office will be established in Gaza with a small satellite office in East Jerusalem for coordination purposes. Personnel will be recruited through UNOPS contracting mechanisms. The project team will consist of the following roles as a minimum;

- Administration & Management
  - Senior Engineer MMU Team Leader
  - Project Assistant

    - Database Administrator
    - Data Entry Clerks
    - Driver
    - Logistic / Fleet
- Shelter Material List Monitoring
    - Quantity surveyor
- Vendor Security Monitoring
    - National Security Monitoring Officer
    - Operations Room Monitors
    - CCTV Technician
- Materials Supplier Monitoring Teams
    - International Supplier Stock Monitor
    - National Stock Monitor Assistant
    - Batch Plants Monitor
    - Batch Plants Monitor
- Shelter projects Monitoring Teams
    - On Site Monitoring Supervisor Engineer / Auditor
    - On Site Monitoring Quantity Surveyor
- Large Scale Infrastructure projects Monitoring Teams
    - Monitoring Engineer
    - On Site Monitoring Engineer
- Setup Teams
    - Data Base System Developing Team Leader
    - Data Base System Developers

The required Information management, office and communication equipment, vehicles, security and personnel protective equipment and CCTV for concrete batch plants will be purchased and operated as part of the project.

Outputs

During the initiation stage the project team will develop the ICT monitoring software system and database. It will include a mobile application, central database and reporting system used to collect and manage the monitoring and inspection data. It will consist of handheld tablets that will collect the photographic records, uploaded documentation and manually entered information from the monitoring officers and in real time transfer it to the MMU central server.

From the database a series of reports will be generated and used to report on materials usage to the stakeholders and detect anomalies for follow up action as determined by the HLST

Contracting

UNOPS procurement processes are based on the principle of best value for money, fairness, transparency and consistency through processes that have integrity and with the aim of being sustainable. Where possible the works, services and goods will be sourced locally. The major purchasing activities include the procurement of human resources, vehicles, security, office and communications equipment. Where possible long term agreements already in place will be used to facilitate rapid equipment mobilization.

Approvals

During the first month all parties will agree and document the processes and approving authorities. It is envisaged that the approving authority will be represented by HLST for matters requiring the GoI

input and the project board for matters not requiring GoI input. The project board will delegate authority for day to day operations and management to the monitoring team management and/or approval authority as it sees fit. It is imperative that the processes be agreed quickly and that the processes are systematic and efficient. Liabilities caused by delays in approval shall be borne by the project through scope and/or budget amendment.

UNOPS Capability

UNOPS mission: is to expand the capacity of the UN system and its partners to implement peace building, humanitarian and development operations that matter for people in need.

UNOPS vision: Working in some of the world's most challenging environments UNOPS vision is to always satisfy partners with management services that meet world-class standards of quality, speed and cost effectiveness.

UNOPS mandate and role: Reaffirmed by the United Nations General Assembly on 20 December 2010, UNOPS mandate is to act as a service provider to various actors in the development, humanitarian and peacekeeping arenas, including the United Nations, its agencies, funds and programs, donor and recipient governments, intergovernmental organizations, international and regional financial institutions, non-governmental organizations, foundations and the private sector.

UNOPS is a central resource for the UN system in physical infrastructure, procurement and contracts management as well as in civil procurement and contracts management as well as in civil related capacity development activities.

UNOPS in the occupied Palestinian territories (UNOPS JMOC): UNOPS Jerusalem Operations Centre (JMOC) opened in 2006 and operates in Palestine, with projects located both in Gaza, the West Bank and east Jerusalem. Under the local guidance of the resident and humanitarian coordinator of the Office of the United Nations Special Coordinator (UNSCO), JMOC helps global and local partners, including ministries of the GoP, design and implement projects that respond to the needs of local people.

JMOC has an experienced in-house team of international and Palestinian project managers, procurement, engineering design, construction supervision personnel, ICT software and hardware architects and project support personnel. The following project list identifies a series of physical infrastructure, ICT software design and system architecture projects recently under taken by JMOC.

- Palestinian Civilian Police GIS system – software design, ICT infrastructure
- Palestinian Authority Security Forces (PASF) Command and Control (C2) Capacity Development & Information Communications Technology (ICT) Integration Project – Phase 1 – software design, ICT infrastructure
- Palestinian Civilian Police IT Infrastructure Upgrade Project – software design, ICT infrastructure
- Palestinian Civilian Police complaints system – software design, ICT infrastructure
- Palestinian Civilian Police Multi-Sector Support Project – software design, ICT infrastructure
- Palestinian Civilian Police HRM System Development Project, – software design, ICT infrastructure
- Palestinian Civilian Police IT Radio Communications Upgrade Project
- Palestinian Civilian Police IT Infrastructure Upgrade Project
- Small Arms Safety Training Facility
- Ministry of Interior Logistics Facility
- Palestinian Civilian Police New Pool Fund Project
- Allenby Bridge & Kareem Shalom container scanner
- Communications and Public Order Equipment Contribution to the Palestinian Civil Police
- Karni Crossing Border Police training, capacity building and equipping

- Presidential Guard Training College Jericho
- Jericho Police Training Facility
- Numerous correctional facilities and police detention cell refurbishments
- Construction of the Biet Lid Police station

As such UNOPS is very well placed to support the execution of this project.

3.0 Business Case

Options analysis

A series of 3 options have been considered in preparing this project. These include;

1 – Do nothing
2 – Utilize monitoring systems in place prior to conflict
3 – Stand up a comprehensive bulk materials monitoring system

Option Justification

1- Do nothing option

The scale of destruction identified in the back ground section of this PID very quickly identifies that the do nothing option will result in the continuation of humanitarian disaster generated by the 50 days of conflict. The 108,000 homeless people generated by the conflict will remain homeless. The 71,000 housing unit deficit prior to the war will remain. The current supply of power which is 30% of demand will not increase. The 17 hospitals and 50 primary health care clinics damaged or destroyed will not be repaired nor will the 234 schools and universities. Consequently, the humanitarian crisis will persist, economic recovery will be severely limited and the drivers causing conflict will worsen. The ultimate result as foreseen by most observers will be more conflict and worsening suffering. The do nothing option has therefore be discounted.

2- Utilize monitoring systems in place prior to conflict

In December 2013 the UN and the GoI agreed a process for monitoring dual use materials for monitoring of limited project materials for a limit, mostly UN, projects. The system was adequate for its intended purpose, but does not service reconstructions private dwellings, private small scale facilities nor large scale reconstruction. Consequently the level of reconstruction post the 2012 conflict was slow and inadequate to foster economic development and many of the fundamental basic human rights. For this reason the monitoring system in place prior to the 50 days of conflict contributed to the persistence of the drivers causing the unrest. Hence a return to the previous system will not relieve the humanitarian crisis at any realistic speed and the drivers causing the unrest the unrest will remain. The most likely scenario of this option is therefore more conflict and worsening humanitarian conflict

3- Comprehensive bulk materials monitoring unit

The third option, described with this PID, is the only option available that will reduce the GoI security concerns of items being used for the 'enhancement of military capabilities and terrorist capacities' sufficiently enough to permit import approval of significant quantities of construction materials into Gaza. As discussed the import of these materials in significant quantities is essential to the rebuilding of infrastructure to relieve suffering of Gazans, promote economic growth and reduce the drivers for unrest.

This options meets the GoP short term objectives as outlined in the PA Early Recovery and Reconstruction Plan 2014-2017 which are;

- Objectives from the PA Early Recovery and Reconstruction Plan 2014-2017 confirming the alignment to be inserted once released publically

While this is a medium term solution for an immediate problem this option also contributes to several long term development goals for Palestine as an intermediate enabler.

Contribution to the GoP long term objectives identified in the State of Palestine National Development Plan 2014-2016 including;

- *'Establish more robust foundations for an independent, fair and sustainable national economy, which materializes sustainable development, provides decent employment opportunities to citizens and enhance their productivity'*
- *'Continue to provide sustainable, high quality, rights based and gender sensitive social services, contributing to maintaining social justice between social groups and areas. These will provide protection and empowerment to children, women, young people the elderly and people with disabilities in a society…'*
- *A sustainable, equitable Palestinian infrastructure, which contributes to promoting economic development, independence, social justice qand connectivity between Palestine and the outside world.*

Contribution to the UN long term objectives identified in the including;

- *By 2016, Palestinians in the oPt benefit from greater economic empowerment, improved livelihoods, access to decent work and food security*
- *By 2016, Palestinian children and youth in the oPt have more equitable access to and completion of quality education in an inclusive child-friendly learning environment*
- *By 2016, Palestinian institutions more effectively manage and regulate urban development and natural resources to ensure the equitable provision of sustainable infrastructure and to safeguard cultural heritage*
- Lastly the project meets UNOPS core value of '*Respect Through national Ownership'* and goal of '*rebuilding peace and stability after conflict'*.

Due to the negative consequences of options 1 and 2 and the close alignment of option 3 with the immediate need option 3 - Comprehensive bulk materials monitoring unit has been selected by the UN and the GoP as the preferred option.

Project Impact

The project impact is the successful reconstruction of Gaza contributing to the relieving of the humanitarian crisis, promotion of economic growth and reduction in drivers of conflict.

Project Outcomes

The project outcome is the establishment of an intermediate system of dual use items monitoring that will facilitate the import approval of construction materials and machinery into Gaza. This will be achieved through the reduction of GoI security concerns of materials being diverted for use in the enhancement of military capabilities and terrorist capacities.

Budget

The project account will be operated in US dollars. The total project estimate is XXXXXX. Annex 4 provides a detailed breakdown of the budget. The budget will be provided through multiple donors with individual contribution agreements.

4.0 Project Organisation/Governance

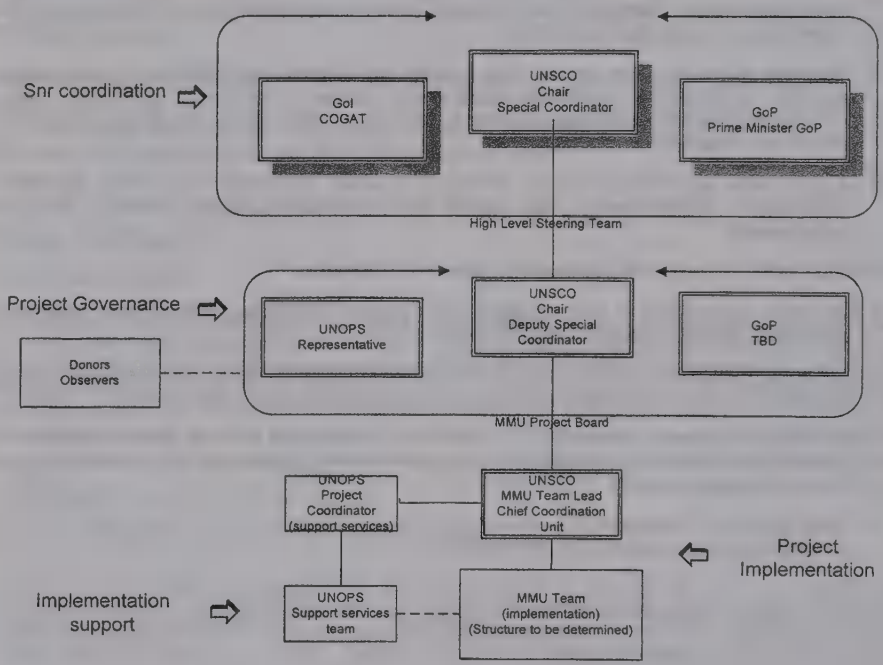

Figure 1 - Project Organistional structure

High Level Steering Team (HLST)

The High Level Steering Team is the principal coordinating body between the GoI and the Project. As such it will consist of the Prime Minister of the Government of Palestine, the UN Special Coordinator for the Middle East Peace Process (UNSCO) and the Government of Israel Coordinator of Government Activities in the Territories (COGAT). It will be chaired by UNSCO. The exact operating procedures of the HSLT are still to be determined however the team will be responsible for overseeing and guiding the achievement of project outcomes.

Project Board

The project board is the main governing and directing body of internal matters of the project. A such it will be chaired by the Deputy Special Coordinator for the Middle East Peace Process. The board is

accountable for the successfully delivery of project outcomes and will report directly to the chair of the HLST.

The project board shall meet four times in twelve months, at a minimum, with further meetings to occur as requested by project board members. The proposed dates of said meetings shall be communicated on behalf of the committee chair by the secretariat at a minimum 20 working days in advance of the meeting. Working documents for the meeting shall be provided at a minimum 10 working days in advance. The project board members or the MMU team management may request an adhoc meeting if so required.

Quorum

The project board will operate a system of one hundred percent (100%) quorum of the above mentioned membership categories (one person from each representative).

Decisions

The board shall make major decisions by unanimous consensus among members present, where consensus cannot be reached the executive of the board has final decision authority.

The chair of the may opt for a 'virtual meeting' whereby a proposal from the chair is distributed to the members in writing, electronically or otherwise, by the secretariat. If no objection to the proposal has been received in writing by the secretariat within seven (7) working days, the proposal is considered as adopted.

If an objection is raised, a project board meeting will be called and the proposal shall be subject to a roll call vote.

The project board shall refer all decisions to the requirements set by the project document and the financial rules and regulations[5] of UNOPS. Any decision contravening these documents shall be void.

Suggested Standing Project Board Meeting Agenda

1. MMU team management overview
2. Review last project board meeting minutes
3. Review end stage report and approve next stage plan
4. Review escalated issues and exception reports

End Stage Report Contents

1. Report aim
2. Project Coordinator summary
3. Review of the benefits
4. Review of project plan
5. Outstanding issues/actions
6. Next stage plan
7. Lessons learned
8. Project photos

MMU Team

The roles required for the MMU have been outlined in section 2 – 'Inputs' so are not repeated here. The exact organizational structure of the MMU team will be determined by the MMU team management once recruited and approved by the project board.

[5] UNOPS Financial Rules and Regulations are the principal documents, approved by the UN Secretariat, that UNOPS must abide by in managing public funds.

5.0 Role Descriptions

This section highlights key aspects of the major roles within the project.

GoP

The GoP plays several roles. These include;

1. Led on government implemented large scale GoP projects.
2. Sponsor and facilitator of materials supply for reconstruction other than UN projects.
3. Customer/beneficiary on UN implemented projects.

As such the GoP has a significant role on both the HLST and project board. They are also likely to fulfill roles on any delegated approval authority. It will be important for the GoP to note that these roles are significantly different roles and as such will need to be filled with persons of appropriate authority and experience for the role.

GoI

The GoI plays no operational role other than approvals and as recipient of the monitoring reports. As such consultation and approval will be required in the development of the report templates.

UNSCO - Monitoring Team Management

UNSCO is accountable for the successfully delivery of project outputs and outcomes. This will be achieved through the following management arrangements.

Project Senior Responsible Owner

The project senior responsible owner UN Special Coordinator for the Middle East Peace Process will represent the United Nations on the high level steering committee.

Project Executive

The project executive (UN Deputy Special Coordinator for the Middle East Peace Process) is accountable to the high level steering team (HLST) for the successful delivery of the project to the predetermined outputs and outcomes. The project executive functions will be discharged through the use of the project board chaired by the project executive. The project board is accountable for the following documented processes;

1. Chairing quarterly project board meetings.
2. Approval of Project Coordinator initiated exception reports.
3. Approval of Project Coordinator initiated stage plans.
4. Approval of Project Coordinator initiated end stage reports.
5. Responding to Project Coordinator initiated requests for advice.

Monitoring Team Management

The monitoring team management (Head of Resident Coordinators Office) has responsibility for delivery of the project activities on behalf of the project executive. The monitoring team management will structure the monitoring team as appropriate and further delegate responsibility for specific activities throughout the monitoring team as he/she sees fit. To assist the monitoring team management and to provide internal project governance the monitoring team management will make

full use of the UNOPS internal project management system. This system is based on the international best practice methodology of Prince2. This is not limited to but includes documented processes for the following;

1. Internal monthly financial monitoring.
2. Internal quarterly financial reporting.
3. Internal quarterly project assurance.
4. Monthly, quarterly and full life cycle project programing.
5. Monthly project risk/issue management and monitoring.
6. Team management planning include weekly team meetings and staff one on ones.
7. Communications planning.
8. Quality management planning.
9. Document management planning.

UNOPS - Monitoring team administrative support

The monitoring team will be supported administratively by the UNOPS Jerusalem Operations Centre which includes a Country Director and the direct support functions of procurement, human resourcing, finance, logistics, project administration and security. These resources will be made available as per the project budget and coordinated by the UNOPS Project Coordinator.

Project Coordinator

UNOPS support services to the project team will be led by a Project Coordinator. The Project Coordinator will be accountable to the monitoring team management who will assign tasks as required. The Project Coordinator will be a senior project professional with significant experience in project management and infrastructure.

UNOPS is the service provider and is responsible for providing the following services to the MMU Project in accordance with UNOPS financial regulations and rules:

- Human Resources.
- Finance.
- Budget Management.
- Logistics.
- Fleet Management.
- Financial Reporting.
- Procurement.

The MMU shall benefit from UNOPS quality management system which obtained ISO 9001 certification in 2011.

UNOPS customizes its services to individual partner needs, offering everything from one-off, stand-alone solutions to long-term, project management. UNOPS, as a demand driven service provider, has no agenda other than to contribute expertise to implement agreed goals.

UNOPS services are subject to the applicable UNOPS rules, regulations and procedures.

Donors

The donor/s as the funding source for the project will principally provide input to the direction of the project through participation on the Project Board as an observer should the donor desire. The donors/s may also furnish a representative to participate in technical meetings and inspections if so desired. This project initiation document will serve as the overarching project document.

UNOPS will conclude separate agreements with individual donors to provide specific services in terms of recruitment and administration of personnel, procurement of goods and services, custodian

of equipment, and financial services, as well as the accountability for usage and reporting on the expenditure of donor funds.

6.0 Sustainability and Cross Cutting Issues

Sustainability

This project is in an intermediate or temporary activity established to address the immediate need of reconstructing Gaza. Consequently it is not designed as a permanent process with long term sustainability of the process in mind. The outcomes however have been designed with long term sustainability in mind. The ultimate impact of the project is to reduce the drivers of conflict and as such a successful implementation of this project will see greater prosperity and stability in Gaza contributing to a more sustainable political environment and human rights.

Generally In UNOPS ***Sustainability*** is defined as "Development that meets the needs of the present without compromising the ability of future generations to meet their own needs"-Brundtland Commission, 1987. More specifically, UNOPS considers sustainability as a characteristic or capacity of a project (be it infrastructure or procurement) to be maintained or to sustain itself. It is important to mention that UNOPS task is not only to build long-lasting bridges, schools, etc. but to make sure that UNOPS products and services serve people in need while taking into consideration all dimensions of sustainability (economic, social, environmental and capacity building).[6]

UNOPS has recently developed a sustainability marker tool that assists project teams during project design and planning to maximize the sustainability of a project. The MMU project will undergo the sustainability analysis during detailed planning and the summary and the results Annexed to this document.

Cross Cutting issues

The UNOPS sustainability tool also analyses the project across the major cross cutting issues and as such the final results will be presented after detailed planning. However below are the guiding principles that have been employed.

Gender equality and the empowerment of women

UNOPS aims to emphasize gender equality and the empowerment of women in all its efforts. UNOPS help partners develop the capacity of women in the labour force, improve maternal and child health and change negative attitudes to women.

National capacity development

UNOPS complements the efforts of its partners by sharing its knowledge and experience and focusing on excellence in implementation. We do this by working closely with national governments and by offering on-the-job or direct training in a majority of projects.

[6] More sustainability information is available under:
https://intra.unops.org/Global/Sustainability/sustainability_guidelines/Pages/Sustainability_at_UNOPS.aspx
and on the marker
https://intra.unops.org/ToolsResources/KnowledgeSystem/projectmanagement/tool/SustainabilityMarker/Pages/default.aspx

Environmental sustainability

UNOPS aims to mainstream sustainable procurement and the construction of sustainable infrastructure in all the projects it implements. UNOPS construction processes are ISO 14001[7] certified

7.0 Quality Management System

Quality Control/Assurance

UNOPS standard ISO 9001 procedures will be applied throughout the project support processes and where appropriate the project implementation processes. A detailed quality plan will be developed during the establishment phase outlining quality control and assurance expectations and processes for all aspects of the project. Specific specialist procedures such as those within the ICT software development will be outlined in more detail in individual Team Plans. Elements that will be subject to the quality plan at a minimum will include;

1. All monitoring reports.
2. Onsite monitoring activities.
3. Project support services.
4. Document records.
5. Database records.
6. Communication activities.
7. Product descriptions.
8. ICT systems development.

8.0 Document Management System

Intellectual Property

UNOPS shall be entitled to all intellectual property and other proprietary rights including, but not limited to, patents, copyrights, and trademarks, with regard to products, processes, inventions, ideas, know-how, or documents or other materials developed under the contribution agreements and which bear a direct relation to or are produced or prepared or collected in consequence of, or during the course of, the implementation of the contribution agreements.

Document Control

A document control procedure will be developed during MMU establishment which will detail all document control procedures.

9.0 Risk Management Strategy

A recommended risk management approach for the MMU based on UNOPS ISO9001 certified processes consists of the following;

1. Producing a preliminary risk register.

[7] ISO 14001 – Environmental management – It sets out the criteria for an environmental management system and a process to certify that system

2. Conducting an initial risk identification meeting 3. The production of a detailed risk register.
4. Notification of risk owners.
5. Monthly risk monitoring by the project manager and/or team at the monthly checkpoint report production.
6. Risk response activities planned in project, stage or team plans as appropriate.
7. Quarterly risk reporting as part of the end stage report.
8. Issuance of an exception report should a major risk become likely to eventuate.

The risk register included here is the result of a preliminary risk assessment conducted by UNOPS/UNSCO and does not constitute an exhaustive list of the possible risks that may take place under the project. The listed description, impact, probability and proximity are for indicative purposes only and may vary during the execution of the project. UNOPS/UNSCO do not guarantee that the proposed countermeasures may avoid, reduce and/or neutralize the risks and they do not constitute either an exhaustive list. UNOPS reserves the right to implement additional countermeasures. Claims and liability shall be regulated in accordance with the applicable sections of the project agreement including but not limited to force majeure.

An issue is either a risk that has occurred or some other unplanned event that causes concern for the project or programme. These will be recorded in the issue register and further information documented in a separate issue log if required. The issue log will record the details of the issue and the action to be taken by whom and by when.

An exception report is more formal and is to be prepared if the issue is large and cannot be managed within the current stage or project tolerances by the project team. It typically involves communication and action with external stakeholders. See the product descriptions on risk, issue and exception reporting in Annex 9 for further details.

The following table of risks represent a summary of the key risks as identified by the preliminary risk identification activity. The full risk register is presented in Annex 5.

Risk Identification			Risk Assessmen	Risk Treatment Plan
#	Risk Description	Impact	Risk Score	Treatment Plan
1	GoI Changing Requirements	Delays, Cost overruns, Reputation, Quality implications, Limited Reconstruction	Moderate	Liaise closely - HLST Document processes/approvals
2	GoI Overly Restrictive requirements	Delays, Cost overruns, Reputation, Quality implications, Limited Reconstruction	High	Liaise closely - HLST
3	Monitoring system burdening reconstruction	Delays, Cost overruns, Reputation, Quality implications, Limited Reconstruction	Moderate	MMU work with vendors to monitor, review and improve
4	Slow approval times GoI	Delays, Cost overruns, Reputation, Quality implications, Limited Reconstruction	Moderate	Liaise closely - HLST Document processes/approvals
5	Slow approval/ implementation times GoP	Delays, Cost overruns, Reputation, Quality implications, Limited Reconstruction	Moderate	Liaise closely - PB Document processes/approvals
6	Monitoring system ineffective - Under the table dealings	Potential materials diverted to non approved purposes	Moderate	MMU/PB/HLST work with vendors to monitor, review and improve. Strong financial/commercial consequences for vendors/monitors
7	Resource mobilization times too slow	Delays, Cost overruns, Reputation, Quality implications, Reconstruction delayed	Moderate	UNOPS move forward on recruitment. Existing LTA's utilised. Use local resource.
8	Equipment mobilization times too slow	Delays, Cost overruns, Reputation, Quality implications, Reconstruction delayed	Moderate	UNOPS move forward on procurement. Existing LTA's utilised. Use local resource.
9	Personnel security incidents	Personnel injury/death	High	Utilise UNDSS guideline/procedures.
10	Currency/Price fluctuations	Budget impact	Low	Fluctuations will require budget/scope amendment
11	Personnel Accidents	Personnel injury/death	Moderate	Use UNOPS ISO 18001 OH&S procedures Utilise UNDSS guideline/procedures.
12	Project Board Failure	Delays, Cost overruns, Reputation and Quality	Moderate	Use UNOPS Documented mandate/procedures Monitor
13	Deterioration general Gaza security situation	Personnel injury/death, delays, inability to monitor	High	Use UNOPS ISO 18001 OH&S procedures Utilise UNDSS guideline/procedures.
14	Funding delays	Reconstruction Delayed	Moderate	Solicit multiple donor involvement
15	Key personnel have inadequate authority	Delays, Cost overruns, Reputation and Quality	Moderate	Use UNOPS Documented mandate/procedures Monitor
16	External stakeholder derailment	Delays, Cost overruns, Monitoring System collapse	Moderate	All stakeholder, including Hamas, Egypt etc. have been consulted to date. Consultations will be maintained
17	Monitoring staff skills insufficient	Delays, Cost overruns, Monitoring System failure	Moderate	Suitably qualified engineering, quantity surveying, ICT and project management staff employed only.

Figure 2 – Initial Risk Identification Summary

10.0 Communication Management Strategy

Communications Plan

A detailed communications plan will be documented during the establishment of the MMU and then actioned and monitored by the Project Coordinator

All parties will be required to provide input to the communications plan in the form of identifying their key points of contact, the level of information and method of communication preferred.

Along with the quarterly project boards meetings and the HLST meetings it is anticipated that the communications plan will include a regular scheduled donor group meeting, a broader stakeholder group meeting and public information sharing mechanism. This is to ensure all stakeholders are informed, feedback on issues collected and continual improvement undertaken. Other forms of communication will be determined during the development of the communications plan.

MMU Materials Monitoring Reports

Exact requirements will be determined and approved by the HLST and project board once established.

Donor/Annual Reporting

UNOPS will provide project reports as outlined in the individual contribution agreements. However to reduce administrative burden it is preferable that all reporting is done through single common narrative and financial report and that funds are not earmarked. To facilitate this UNOPS will design a comprehensive annual narrative that can serve as a signal common report for donors. Annual interim financial reporting can be tailored to match each contribution agreement however again to reduce administrative burden and cost it is preferable that funds allocate are not earmarked and where possible reported on through the common single annual report.

MMU Management Reports

The following project reporting will be used within the project for management purposes.

Quarterly end stage reporting

Stage planning is the responsibility of the Project Coordinator and will be facilitated by the project. It simply takes the project initiation document and details all relevant planning information for the coming stage. Stages are defined by corporate as aligning to calendar quarters. The stage plan therefore needs to be completed and approved shortly before the coming stage starts. Ideally 2 weeks before commencing the next stage.

The output of stage planning should be a comprehensive stage plan that contains at a minimum;

1. Project org structure, roles and responsibilities specific to the stage.
2. Quality management activities for the stage.
3. Review of the risk register identifying those specific to this stage with actions.
4. Communication activities, i.e. reporting and etc. specific to this stage.
5. Detailed Gantt chart, resource allocation, deliverables both technical and management for the stage.
6. Project controls for the stage.

Monthly Checkpoint Reporting

Monthly checkpoint reports are currently in use across UNOPS management projects. The aim of these is twofold. Firstly the act as a monthly health check/monitoring activity for the project manager and therefore represent a strong management tool for the project manager (not just reporting for reporting sake) and secondly it provides a level of oversight and assurance for the project board. Project level checkpoint reports should be produced for each project and submitted to the project coordinator by the second Tuesday of each month. See the Monthly Project Checkpoint Report Product Description for further information found in Annex 8.

Lastly the Project Coordinator may issue highlight reports, at his or her discretion, as a general update as and when appropriate.

11.0 Project Plan

Detailed project planning will occur once the initial core of the MMU team is mobilized, particularly the project coordinator. The project plan will be broken into 3 phases;

1. Project Establishment.
2. Project Operations.
3. Project Closure.

Due to the urgency of the need project establishment has already commenced with UNOPS initiating software architecture design and the project operations phase will overlap with project establishment. That is operational phase will start as soon as possible and prior to establishment being fully completed.

Project plan – Establishment Phase

Project establishment is expected to take 4 months and will consist of the following activities.

1. Establishing HLST including approved and documented mandate/processes.
2. Establishing Project Board including approved and documented mandate/processes.
3. Recruitment and mobilization of MMU team.
4. Purchasing all vehicles, ICT equipment, furniture, safety and security equipment.
5. Developing the Monitoring software and database system.
6. Preparing of initial sites in Gaza, such as concrete batch plants, for monitoring. Ie installing CCTV and etc.
7. Initial vendor registration and vetting.
8. Piloting and commissioning monitoring system.

The detailed planning of the initiation phase will be undertaken by the Project Coordinator once mobilized. The high level initial plan with schedule and milestones can be found in Annex 6.

Project Plan – Operations Phase

The operations phase will start as soon after the establishment phase has commenced. This is designed as a 1 year phase with the high likelihood of extension.

This phase consists of;

- The day to day project list and bill of quantities preparation for approval by GoI.
- The monitoring and reporting of materials transportation.
- The monitoring and reporting of materials storage.
- The monitoring and reporting of materials usage on site.
- The reporting of any non-conformances.
- Review of phase performance with improvements made.

Project Plan - Project Closure Phase

Commencing immediately after the operations phase ends this phase is expected to take 6 months. It will consist of decommissioning all activities. Specifically it will consist of;

1. Release or transfer of project staff as appropriate.
2. Transfer of project assets.
3. Decommissioning or transfer of monitoring infrastructure such as CCTV, offices and etc. as appropriate.
4. Final project reporting.

Assets

Assets purchased by the project shall be depreciated according to UNOPS Financial Rules and Regulations. Any asset with residual value at the operational closure of the project will remain the property of UNOPS. UNOPS may opt to decommission, transfer to the Government of Palestine, or transfer to other projects, transfer to another organization.

Final reporting

All reporting shall be in line with the contribution agreement as per donor requests.

Bank Interest

If interest is incurred in the final year the final financial statement may be delayed for 12 months to permit the credit of interest to the account. Therefore a period of up to 18 months after financial closure is required to permit the posting of interest incurred to the project account before the final financial report is issued.

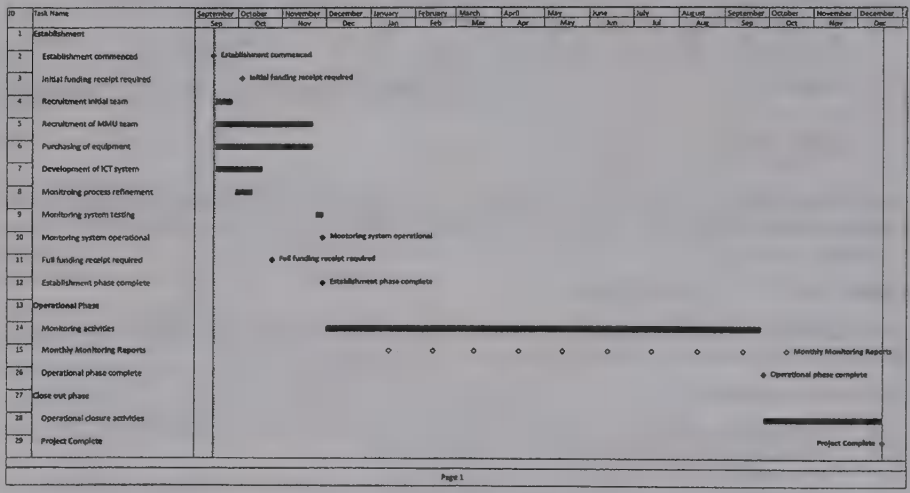

Figure 3 - High level project plan

Monitoring and Evaluation

A detailed monitoring and evaluation plan will be developed as part of the detailed planning activities once the initial project team is mobilized.

12.0 Document Information

Document Circulation

Organisation	Department	Person	Title

Publication information

Date	Name	Title	Contribution
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Annexes

1. **Dual Use Construction Material Monitoring to facilitate Access for the Reconstruction of Gaza**
2. **Monitoring process flow diagrams**
3. **Monitoring software architecture overview** – ***To be completed***
4. **Detailed budget**
5. **Risk register**
6. **Initial high level project plan (Gantt)**
7. **End stage report SOP** – *Available upon request*
8. **Monthly project review SOP** – *Available upon request*
9. **Risk/Issue/Exception Reporting SOP** – *Available upon request*
10. **Project Sustainability Analysis** – ***To be completed***

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In a new and highly detailed *Introduction* and *Afterword* to the third edition of *The Gaza Strip: The Political Economy of De-development*, Sara Roy meticulously examines the changes to Gaza's economy over the last 15 years, ending with the impact, one year after, of Israel's massive summer 2014 assault known as Operation Protective Edge.

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Sara Roy is a senior research scholar at the Center for Middle Eastern Studies, Harvard University. Her most recent book is *Hamas and Civil Society in Gaza: Engaging the Islamist Social Sector*, Princeton University Press, 2011, 2014.

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